PMI™

by S&P Global

Week Ahead Economic Preview

Flash PMIs, Q3 GDP and central bank decisions in focus

24 October 2022

A number of central bank meetings take place in the coming week, encompassing Japan, the Eurozone, Canada, Brazil and Russia. Third quarter GDP updates will provide a backward-looking view of macroeconomic conditions in mainland China, the US, Germany, France and South Korea, while flash PMIs will give a glimpse of economic performance at the start of the fourth quarter.

The flash PMIs will be watched closely at the start of the week as markets look for updates on the macro trends in Australia, Japan, the US, the UK and the Eurozone. Output growth has generally remained subdued or has fallen into contraction territory, fuelling recession talk. Inflation indicators will also be watched for further signs of varying pressures around the world (see box).

The UK's flash PMI data will be especially eagerly awaited, providing the first indications of changing business conditions after the market turmoil associated with the mini-budget, albeit collected prior to the resignation of the prime minister.

GDP updates will also be followed, led by the delayed publication of data for mainland China, with additional industrial production and retail sales data give more timely indicators of economic performance. A rebound from the second quarter malaise is expected, with forecasters predicting a 3.5% expansion in Q3 GDP, while retail sales and industrial production figures are expected to show improved performance. Q3 GDP updates for the US will also be in the spotlight, thought conditions should remain resilient with third quarter growth projected. Also watch out for Q3 GDP updates for Germany, France, Spain and South Korea.

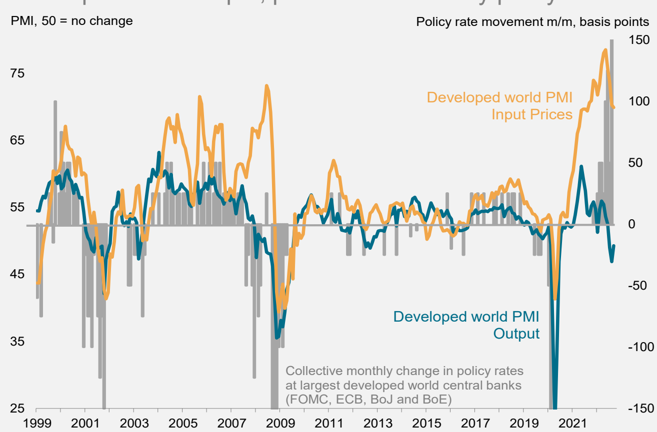
Central bank watchers are treated to a number of key meetings with the ECB, BoJ, BoC, BcB and CBR among those making monetary policy decisions this week. Focus will be on the ECB who have reaffirmed their stance on putting a lid on inflation. A 50bp hike is expected, though a 75bp rise is also on the table. The Bank of Canada is also set to retain a similarly hawkish tone where a 50 bp hike is likely.

Other key releases include US durable goods, Eurozone & US consumer sentiment, Canada GDP, and inflation updates for Singapore, Russia, France, Germany, Spain and Italy.

Growth and inflation updates from flash PMI data

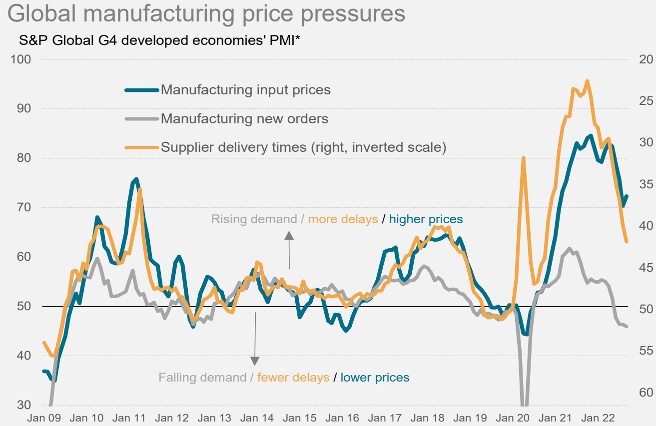
October flash PMI data will provide key insights into recession risks for some of the world's major economies. Prior data showed global output dropping for a second successive month in September amid worsening worldwide demand linked to the escalating cost of living, tightening financial conditions and rising risk aversion. However, this slowdown is also exerting downward pressure on many prices, which could in turn drive speculation about monetary policy needing to be tightened less than previously anticipated. However, it is evident that trends vary by region. Read more in our special report on page 4.

Developed world output, prices and monetary policy



Source: S&P Global

Global manufacturing price pressures



* GDP weighted average of the US, UK, Eurozone and Japan. Source: S&P Global

Key diary events

Monday 24 October
India, New Zealand & Singapore Market Holiday
S&P Global Worldwide Flash PMIs*
China, mainland GDP (Q3), Industrial Production (Sep), Retail Sales, (Sep), Balance of Trade (Sep)
Taiwan Industrial Production (Sep), Retail Sales (Sep)
United States Chicago Fed National Activity Index (Sep)

Tuesday 25 October
Thailand Balance of Trade (Sep)
Singapore Inflation (Sep)
Germany Ifo Business Climate (Oct)
Australia Federal Budget
Mexico Economic Activity (Aug)
United States House Price Index (Aug),
US CB Consumer Confidence (Oct)
South Korea Business Confidence (Oct)

Wednesday 26 October
India & Austria Market Holiday
New Zealand ANZ Business Confidence (Oct)
Australia Inflation Rate (Q3)
Japan Leading Economic Index Final (Aug)
Singapore Industrial Production (Sep)
France Consumer Confidence (Oct)
France Unemployment Benefit Claims (Sep)
United States Goods Trade Balance (Sep)
US Retail Inventories (Sep), New Home Sales (Sep)
Canada BoC Interest Rate Decision
Russia Industrial Production (Sep)
Brazil Interest Rate Decision

Thursday 27 October
South Korea GDP (Q3)
Japan Foreign Bond Investment (Oct)
Thailand Industrial Production (Sep)
Germany GfK Consumer Confidence (Nov)
Spain Unemployment Rate (Q3)
Italy Business Confidence (Oct), Consumer Confidence (Oct)
Mexico Balance of Trade (Sep), Unemployment Rate (Sep)
Brazil Unemployment Rate (Sep)
Eurozone ECB Interest Rate Decision
United States Durable Goods Orders (Sep), GDP (Q3)

Friday 28 October
Japan Unemployment (Sep) BoJ Interest Rate Decision
Singapore Unemployment Rate (Q3)
France GDP (Q3), Inflation (Oct)
Spain GDP (Q3), Inflation Rate (Oct), Sentiment (Oct)
Germany GDP (Q3), Inflation (Oct)
Eurozone Consumer Confidence (Oct)
Italy Inflation (Oct)
Russia Interest Rate Decision
Canada GDP (Aug)
United States PCE Prices Index (Sep)
US University of Michigan Consumer Sentiment (Oct)

* Press releases of indices produced by S&P Global and relevant sponsors can be found here.

What to watch

Americas: US Q3 GDP, PMI, PCE prices and durable goods orders, Canada and Brazil interest rate decisions

October's flash PMIs will be watched to gauge economic performance at the start of the fourth quarter. Recent US survey data have alluded to weakening economic performance amid high prices and tightening financial conditions. While third quarter GDP data will likely signal robust growth, with the consensus expecting a 2% annualised uptick, US house price and homes sales data will be eagerly assessed amid concerns over the impact of rising interest rates, as will consumer confidence numbers. Also watch out for retail inventories, PCE price data and trade numbers plus durable goods orders.

In Canada, the central bank will convene where a 50 bp hike is priced in by markets. The BoC has already hiked rates by 300 basis points this year, and many are expecting interest rates to hit 4.5% next year.

Europe: France, Spain and Germany Q3 GDP, ECB interest rate decision and Eurozone sentiment

Third quarter GDP updates flow thick and fast in Europe, notably for Germany, France and Spain. PMIs have pointed to weak demand in Germany as inflation peaked to a 70-year high in September, which exacerbated recession fears. Forecasters are predicting a 0.7% contraction.

The ECB meanwhile is nevertheless poised to hike rates again in order tame rising inflation, with markets expecting at least a 50bp hike. October inflation numbers will also be updated for some major European economies. PMI numbers and EC sentiment data will also be watched this week for further signs of recession and sticky price pressures.

Asia-Pacific: China GDP, retail sales, IP, South Korea Q3 GDP & Singapore IP, unemployment and inflation

Key releases for mainland China will be eagerly anticipated to assess the impact of the region's zero-COVID policy and the associated restrictions. On the whole, restrictions have retreated over the third quarter, but the government is clearly retaining its strict approach. After moderating to 0.4% (YoY) in Q2 our forecasts point to a 3.5% expansion in GDP for Q3 (YoY). Industrial production and retail sales data are likely to signal growth remaining firmly in positive territory.

South Korea Q3 GDP will also be updated, along with Singapore industrial production, unemployment and inflation figures. Thailand's industrial production data is meanwhile expected to remain strong.

Special reports:

Flash PMI preview | Chris Williamson | page 4

Malaysia | Rajiv Biswas | page 9

Recent PMI and economic analysis from S&P Global

Global	Demand Shortfall indices suggest manufacturing downturn could accelerate rapidly	20-Oct	David Owen Maryam Baluch
	Flash PMI data to highlight recession risks and varying inflation trends at start of fourth quarter	18-Oct	Chris Williamson
	Worldwide industrial price pressures rise as higher energy costs and strong dollar offset impact of cooling supply chains	04-Oct	Chris Williamson
	Monthly PMI Bulletin: October 2022	17-Oct	Lewis Cooper
Americas	US Weekly Economic Commentary: Inflation pressure	17-Oct	Akshat Goel Ben Herzon Ken Matheny Lawrence Nelson
Europe	Strength in official manufacturing data not set to last	17-Oct	Chris Williamson
	Upcoming PMI data in focus as UK recession risks intensify amid market turmoil	14-Oct	Chris Williamson
APAC	ASEAN Foreign Direct Investment Inflows Reach Record High	06-Oct	Rajiv Biswas
	Australian economy under pressure amid strong inflation, but signs of price peak appear	17-Oct	Laura Denman
MENA	UAE non-oil sector maintains robust growth despite faltering global economy	05-Oct	David Owen

S&P Global Economics & Country Risk highlights

Weekly Pricing Pulse: Commodity prices drop despite OPEC intervention

Our Materials Price Index (MPI) fell another 4.3% last week, its fifth decline in the past six weeks. In a change from recent patterns the decline was narrow with only five out of ten subcomponents falling. That said, the change in commodity prices is clear with the MPI now 30.5% lower than its all-time high established back in early March. Commodity prices, as measured by the MPI, are now 11.2% lower than in October of last year. **Click here to read our research and analysis**

Insight from our Purchasing Managers' Index data: Australia, Taiwan and more

Our economists discuss dominant themes through the lenses of our Purchasing Managers' Index data sets. What are the recent trends in the Australian private sector economy? What does the data from Taiwan, a bellwether of global manufacturing, tell us? How is tighter monetary policy impacting real estate and other sectors? Where are we seeing supply constraints? **Click here to listen to this podcast by S&P Global Market Intelligence**

For further information:

For more information on our products, including economic forecasting and industry research, please visit the Solutions section of **www.ihsmarkit.com**. For more information on our PMI business surveys, please visit **www.ihsmarkit.com/products/PMI**

Special Focus

Flash PMI preview

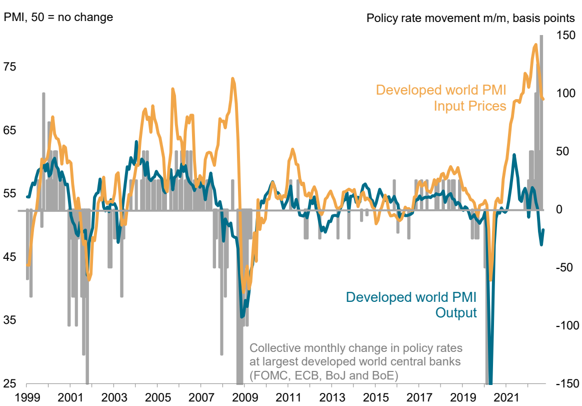
Flash PMI data to highlight recession risks and varying inflation trends at start of fourth quarter

October flash PMI data will provide much needed insights into the risk of some of the world's major economies falling into recession. Prior data showed global output dropping for a second successive month in September amid worsening worldwide demand linked to the escalating cost of living, tightening financial conditions and rising risk aversion.

However, this slowdown is also exerting downward pressure on many prices, which could in turn drive speculation about monetary policy needing to be tightened less than previously anticipated. However, it is evident that trends vary by region.

We explore more about the recent signals from the PMI surveys for the US, eurozone, UK and Japan, and consider what to look out for in the October flash releases.

Developed economies, output, prices and interest rates

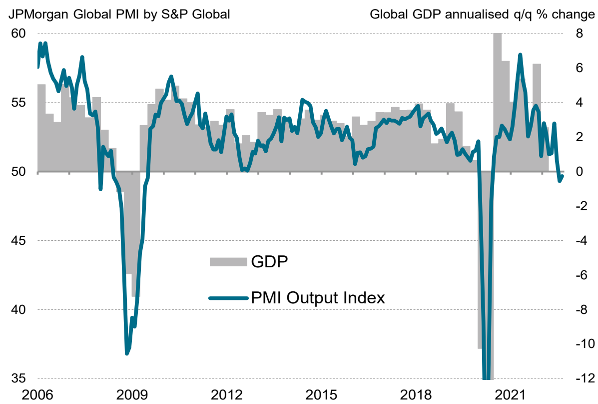


Source: S&P Global

Flash PMI data to provide Q4 insights after disappointing Q3

The upcoming October flash PMI data follow downbeat survey findings during the third quarter. Global business activity contracted for a second successive month in September, according to the PMI survey data compiled by S&P Global, with the latest JPMorgan Global PMI reading rounding off the worst calendar quarter since 2009 if pandemic-related lockdowns are excluded. Service sector output was unchanged after falling in August, registering the second-worst monthly performance since early-2020. Manufacturing output meanwhile fell for a second consecutive month, also declining at the second-steepest rate since early-2020.

Global PMI vs. GDP

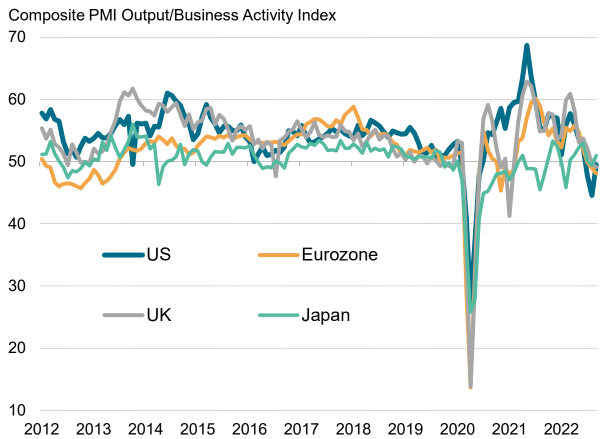


Source: S&P Global, JPMorgan.

Japan leads developed economies for first time in PMI history

Falling or near-stalled output was seen across the four largest developed economies – the 'G4'. Only Japan recorded expansion, and even here the rise was only modest. However, Japan's expansion was notable in representing the first time since comparable PMI data were available in 2009 that Japan outperformed the US, eurozone and UK.

G4 output comparisons

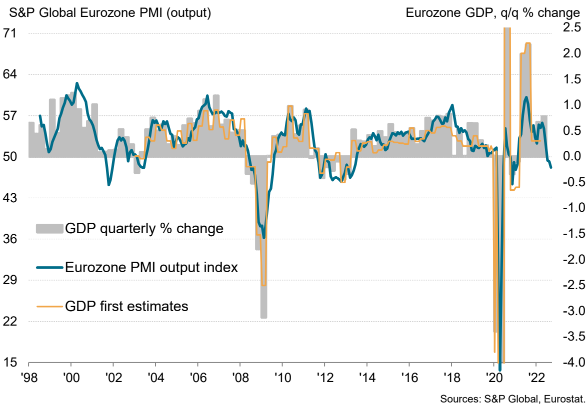


Sources: S&P Global, CIPS, au Jibun Bank

Eurozone facing recession

The eurozone's third successive monthly decrease in output was the steepest since the debt crisis in 2012-13, excluding pandemic lockdown months. Although signalling only a 0.1% decline in GDP in the third quarter, this contrasts with a more upbeat picture presented by recent official data, which we believe will therefore weaken in coming months in line with the PMI.

Eurozone GDP and the PMI

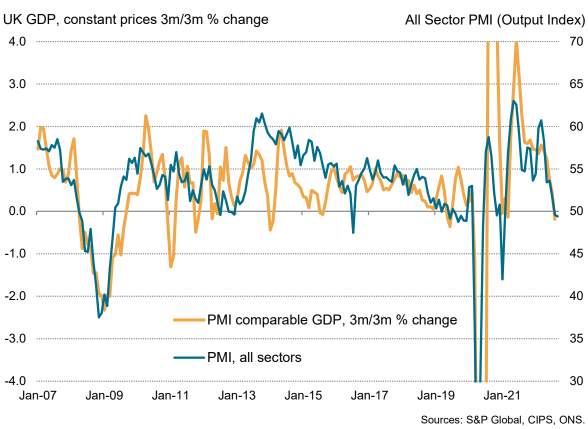


Our forecasting team anticipates falling euro area GDP in the fourth quarter of 2022 and the opening quarter of 2023, leading to a loss of economic output in excess of 1% before modest growth resumes in the spring of 2023.

UK in recession

In the UK, a second monthly drop in output during September was the steepest since 2009, again excluding lockdowns, indicative of GDP falling at a quarterly rate of 0.25%. Similarly, subsequent August GDP numbers showed the economy contracting in the latest three months by 0.3%. The third quarter therefore looks highly likely to be one in which the UK economy contracted, and that was even before the botched 'mini' budget in late September.

UK GDP and the PMI



The final September PMI numbers showed a marked deterioration in the expectations index compared to the earlier flash numbers. This suggests that sentiment about the year ahead had darkened further among businesses. This drop in confidence has fueled suspicions that the upcoming October data could show a deteriorating business situation, leading to a fourth quarter contraction and consequent technical recession.

US decline moderates

While the US also continued to contract, with output down for a third month in September to complete the worst quarter since 2009 (barring pandemic shutdown months). The S&P Global PMI survey data therefore point to GDP falling in the third quarter as a whole, adding to recession risks.

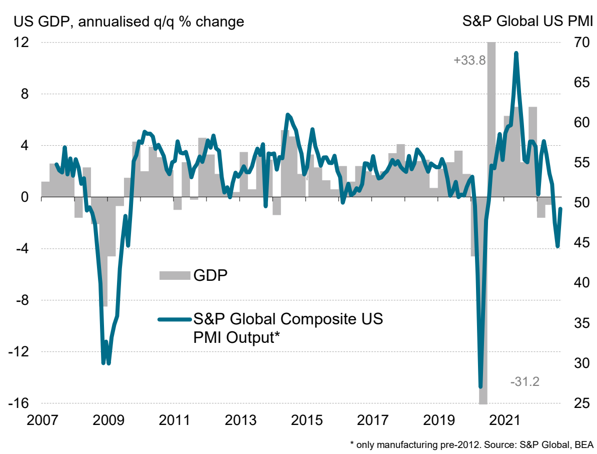
However, in contrast to the worsening growth trends seen in the eurozone and UK, the rate of decline moderated in the US during September to the weakest seen over the past three months. Manufacturing returned to modest growth and the service sector downturn moderated, linked in part to easing price pressures and improving supply chains.

As with the eurozone, the US is seeing stronger official data for the third quarter than the PMI, pointing to annualised GDP growth of approximately 2.5%. However, we contend that this in part reflects payback after a weaker first half to the year than signalled by the PMI due to a variety of factors (including inventory changes and volatile trade numbers), and that the PMI better describes the underlying (worsening) trend in the health of the US economy.

Our forecasting team is anticipating that the downturn will become evident in the official data for the fourth quarter, which will see a contraction of GDP and fuel speculation that the US is also falling into a recession.

October's flash PMI data will therefore add more insight into whether US business conditions have continued to deteriorate at the start of the fourth quarter.

US GDP and the PMI

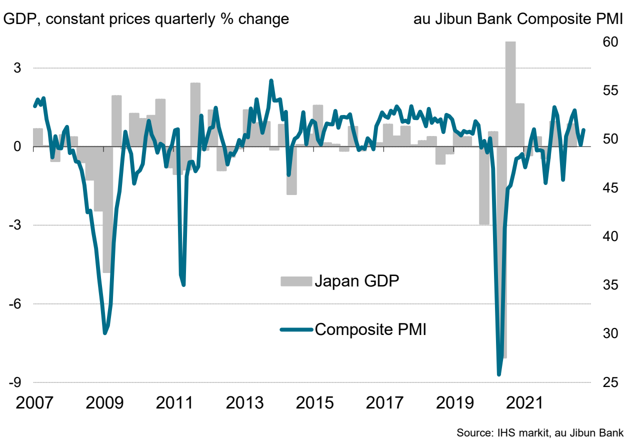


Japan's outlook challenged by weaken global export demand

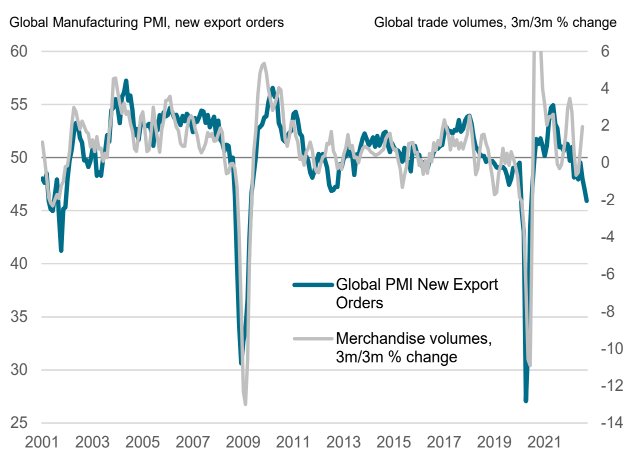
In Japan, output returned to growth in September after slipping into decline in August for the first time in six months, according to the au Jibun Bank PMI compiled by S&P Global. However, the rate of expansion remained subdued, thanks in part to a deteriorating manufacturing performance, where exports continued to decline despite the weakened yen. Thus, an Omicron-related rebound in growth in the second quarter of 2022 looks to have given way to a more modest GDP expansion in the third quarter.

Looking ahead to the fourth quarter, our forecasting team anticipates a renewed revival of growth before weakness sets in again at the start of 2023. But the PMI will need to continue to improve in October to match this expected growth trajectory, and we remain concerned about spill-over effects of sluggish growth in mainland China to other parts of Asia at the same time as [the cost of living crisis and destocking curb Japan's exports via weaker global manufacturing growth](#).

Japan GDP vs. PMI



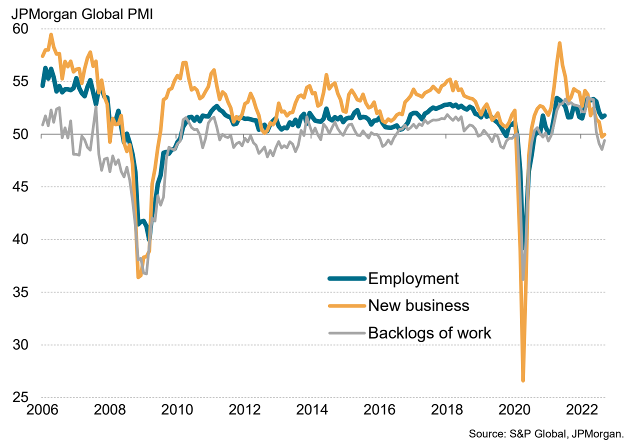
Global exports



Order books to provide job market guidance

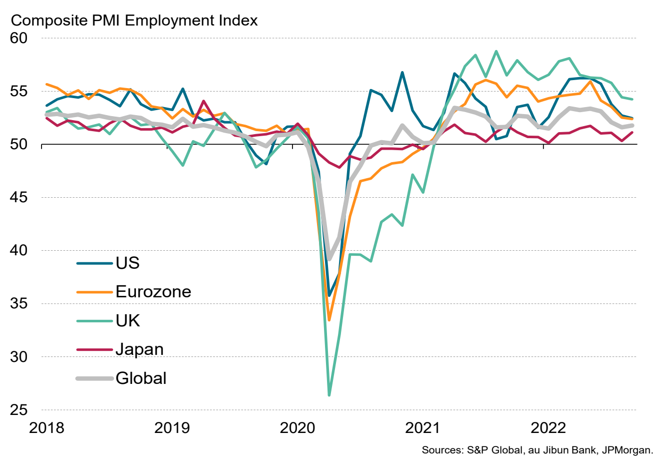
In addition to watching the PMI survey headline output and output expectations indices for clues as to fourth quarter growth trends and recession risks, the surveys' order book data need to be scrutinised for changing demand signals. In particular, backlogs of work indices will be important in providing insights into capacity utilisation in the months ahead, and will therefore provide leading indicators of output and employment growth.

Global orders books and employment



Measured globally, inflows of new orders failed to grow in August and September, led by steepening downturns in Europe. Backlogs of work, which rose sharply during much of 2021 and the first half of 2022, have now started falling, which – if sustained – will eventually put pressure on companies to trim workforce numbers. Jobs growth has already started cooling in the US, eurozone and UK according to the PMIs.

PMI employment indices

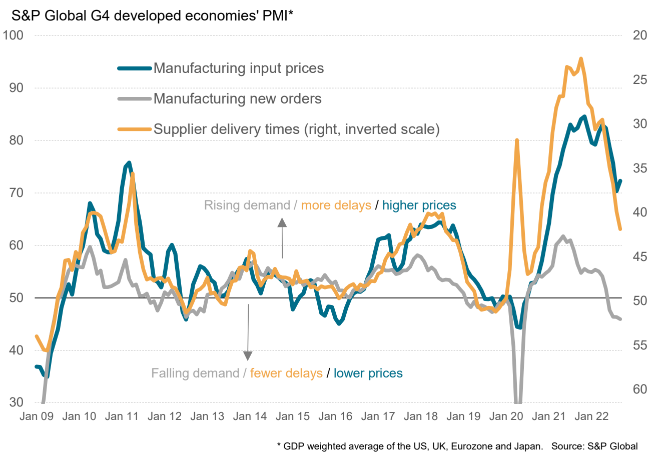


Mixed inflationary trends

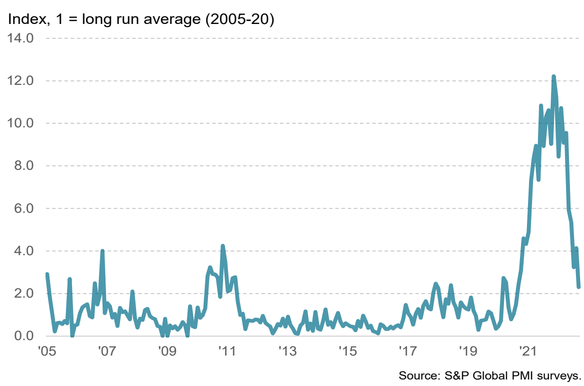
While all four major developed economies are seeing historically elevated inflation rates, the extent of continuing upward pressures have started to vary by country, and these evolving trends will also be important to gauge in the upcoming flash PMI data.

Across the developed world, input cost inflation has cooled as supply chain delays have eased, linked in turn to falling demand for inputs from manufacturers. This deterioration of demand reflects both a drop in final sales to customers but also an increasing shift towards inventory reduction. The number of manufacturers worldwide reporting the need to build safety stocks of items in short supply has fallen sharply, down from a peak of over 12 times the long-run average in mid-2021 to just over two times the long run average in September. This reflects both lower production needs and fewer fears of supply shortages.

Manufacturing input costs, supply and demand

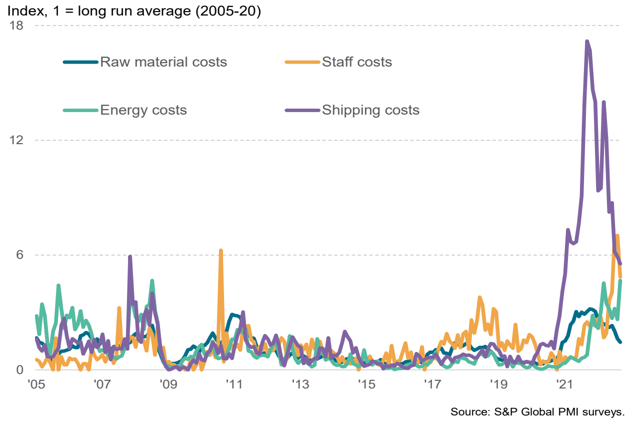


Companies worldwide building safety stocks



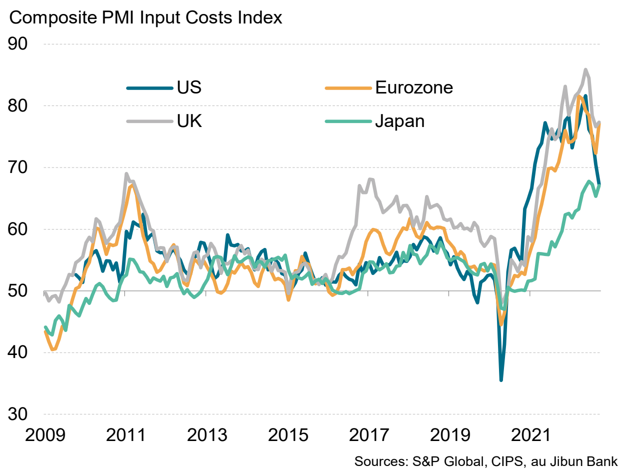
However, the [focus is now shifting] to the extent to which stubbornly higher energy costs and rising wage pressures might offset the impact of weakened industrial commodity prices (and lower shipping rates), thereby keeping inflation elevated.

Reasons cited worldwide for higher factory input costs



The September data showed cost-driven inflationary pressures to have in fact intensified in the eurozone and UK, driven by surging energy costs as well as upward wage pressures (often linked to industrial action) and weakened currencies, as well as in Japan. However, in the US these cost pressures showed further signs of moderating, driven in part by the strong dollar as well as improved supply conditions.

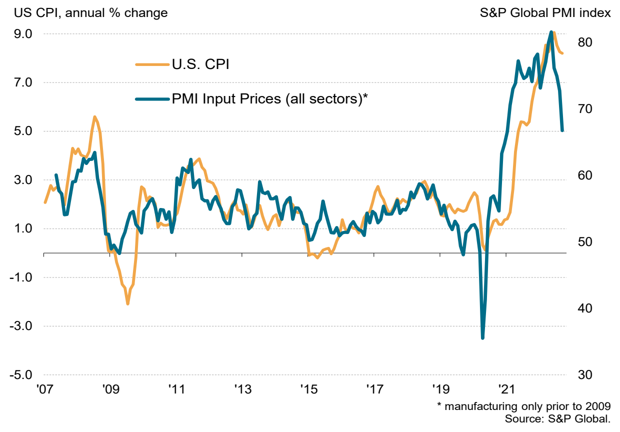
Input cost inflation



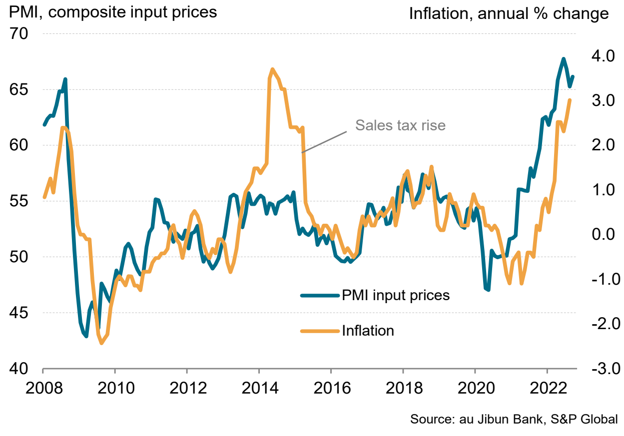
These varying inflation trends are important to watch for two reasons. First, lower prices facilitate greater demand, for which some signs were already evident in the US. Second, lower cost pressures should take pressure off central banks from aggressive monetary policy tightening, which will likewise spur faster demand growth.

Hence, the PMI price gauges will be as important to watch as the output and order book gauges in the October PMIs, to be published 24th October.

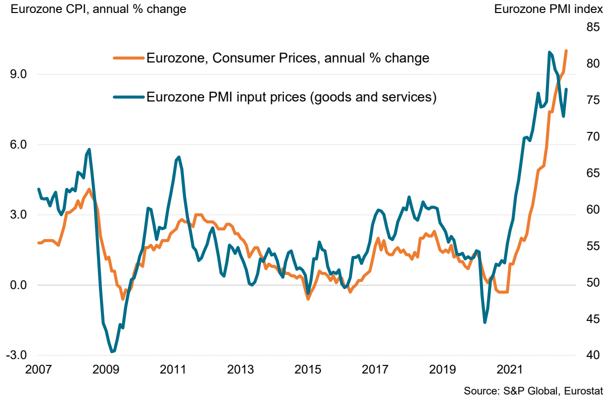
US PMI input costs and CPI inflation



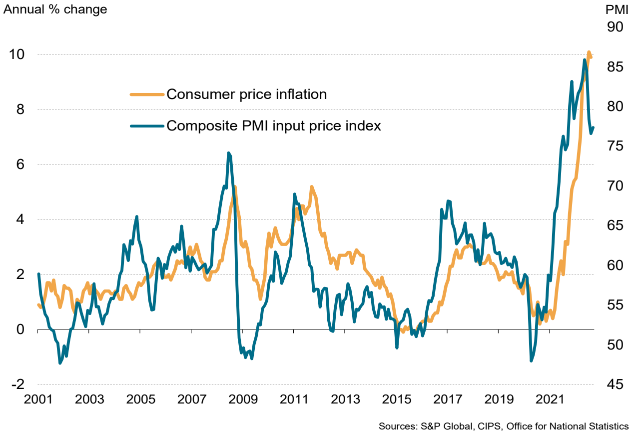
Japan PMI input costs and CPI inflation



Eurozone PMI input costs and CPI inflation



UK PMI input costs and CPI inflation



Chris Williamson
Chief Business Economist
S&P Global Market Intelligence
London

T: +44 779 5555 061
chris.williamson@spglobal.com

Malaysia

Malaysian Economy Boosted by Strong Manufacturing Output and Retail Sales

The Malaysian economy has shown a strong recovery from the protracted impact of the COVID-19 pandemic, with GDP in the second quarter of 2022 up 8.9% year-on-year (y/y). Easing of COVID-19 restrictions has helped drive a rebound in private consumption, Malaysian retail sales soared in August, rising by 30.1% year on year (y/y) in volume terms. This has also helped to boost industrial production, which showed rapid expansion at a pace of 13.6% y/y in August. Exports have also shown strong growth, helped by rising world commodity prices and buoyant growth in manufacturing exports.

However, the Malaysian economy faces increasing uncertainties and downside risks for the remainder of 2022 and early 2023 from weakening growth momentum in the US and EU as well as the slowdown in mainland China.

Malaysian economy rebounds

The Malaysian economy grew at a pace of 8.9% y/y in the second quarter of 2022, supported by a 18.3% y/y increase in private consumption, with domestic demand growing by 13.0% y/y.

Helped by improving domestic demand, the Malaysian services sector grew at 12.0% y/y and the manufacturing sector grew at a pace of 9.2% y/y in the second quarter of 2022.

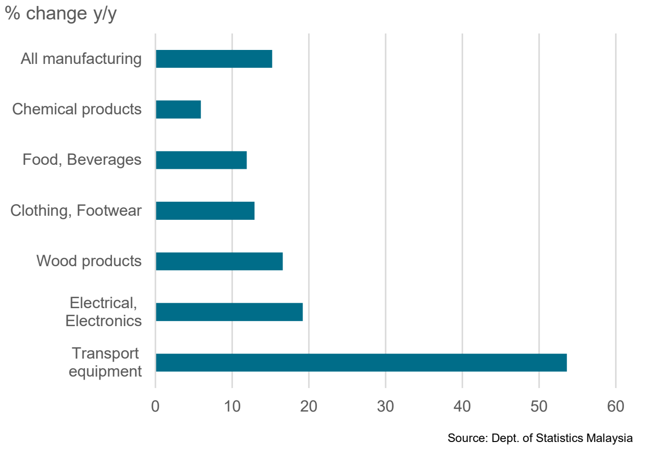
Strong momentum in the pace of expansion of domestic demand continued during the third quarter of 2022. Malaysian retail sales volumes rose by 30.1% y/y and by 0.5% month on month in August. The strong pace of expansion was supported by rapid growth in automotive fuel sales, which rose by 54% y/y in value terms and by 50.6% y/y in volume terms.

However, the strength of retail sales was broad-based across all segments, with retail sales of household equipment up 23.2% y/y and information and communications technology equipment sales up 16.4% y/y in volume terms. Meanwhile, sales of motor vehicles rose by 185% y/y in value terms and by 170% in volume terms.

Malaysia's industrial production rose by 13.6% y/y in August, driven by a 15.2% increase in manufacturing output. The strong performance was broad-based across many sectors of manufacturing, with output from the key electrical and electronics manufacturing sector, which is an important part of total Malaysian manufacturing output and exports, up 19.2% y/y.

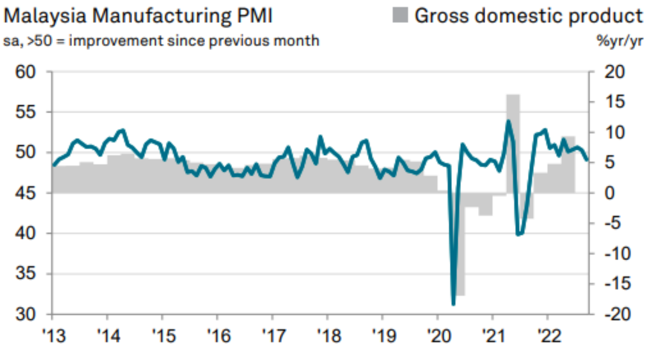
Output in the domestic-oriented industries in the manufacturing sector rose by 22.5% y/y in August. Strong external demand has also supported the expansion in production in export-oriented industries, which rose by 12.4% y/y in August.

Malaysia's manufacturing production, August 2022



However, reflecting the global economic slowdown during 2022, the pace of manufacturing growth is moderating, according to the S&P Global Malaysia Manufacturing Purchasing Managers' Index™ (PMI™). The headline PMI moved back below the 50.0 mark in September, posting 49.1 from 50.3 in August. The latest reading is representative of a gradual slowdown in growth of manufacturing production towards the end of the third quarter, following sustained rises throughout the second quarter of the year.

S&P Global Malaysia Manufacturing PMI

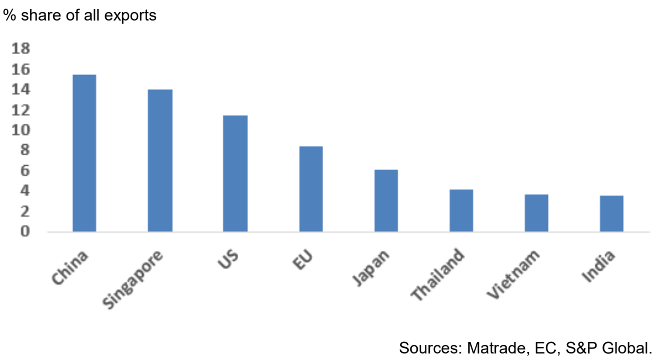


Sources: S&P Global, Department of Statistics Malaysia.
Data were collected 12-26 September 2022.

An important positive factor for the Malaysian manufacturing sector during 2022 has been the strength of manufacturing exports. The Malaysian export sector has performed strongly during the first eight months of 2022, with exports rising by 30% y/y. Exports of manufactured goods rose by 26.7% y/y during the first eight months of 2022, while exports of agricultural goods rose by 41% due to strong global palm oil prices. Rising world commodity prices for oil and gas also boosted commodities exports, which rose by 69% in the first eight months of 2022 compared to a year ago.

However, a significant vulnerability for Malaysia's export sector in the near-term is from weakening growth momentum in the US and EU economies, since the US and EU together account for 20% of Malaysia's merchandise exports. As China is Malaysia's largest export market, accounting for 15.5% of total exports, the slowdown in China's economy is also a downside risk to Malaysia's near-term export outlook.

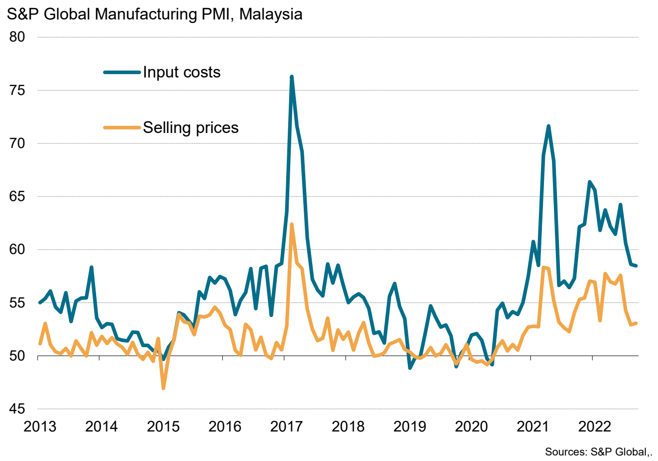
Malaysia's major export markets



Inflation pressures

The latest Malaysia Manufacturing PMI survey showed that cost inflation eased to the softest pace for a year, as firms reported lower prices for a wide variety of inputs. Where input prices did rise, respondents mentioned higher costs for raw materials and transportation, with inflation exacerbated by currency weakness. Output prices continued to rise at a solid pace as firms passed on higher input costs to their customers.

Malaysia Manufacturing PMI: input and output prices



Malaysia's central bank, Bank Negara Malaysia (BNM), has continued to reduce the degree of monetary accommodation due to rising inflation pressures. At its 8th September meeting, the Monetary Policy Committee decided to increase the Overnight Policy Rate (OPR) by 25 basis points to 2.50%, the third 25bp rate hike so far this year.

In its September Monetary Policy Statement, BNM assessed that headline inflation would peak in 3Q 2022, moderating thereafter due to dissipating base effects and expected easing of global commodity prices. Underlying inflation, as measured by core inflation, is expected to average close to the upper end of the 2.0% - 3.0% forecast range in 2022, with some signs of demand-driven pressures amid the high-cost environment.

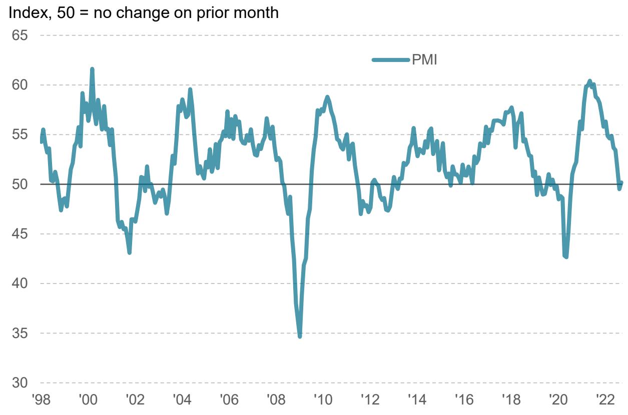
The August CPI data showed that the inflation rate rose to 4.7% y/y, indicating continuing retail inflation pressures. For the first eight months of 2022, Malaysia's CPI inflation rate was up 3.1% compared to the same period a year ago.

Moderating global electronics demand adds to headwinds

The electrical and electronics (E&E) sector has been an important driver of Malaysia's manufacturing exports. Exports of E&E products, which accounted for 36% of merchandise exports, rose by 49% y/y in August 2022. This rapid growth was driven by robust global demand for semiconductors, reflecting technological trends such as 5G rollout, cloud computing, and the Internet of Things.

However, the latest S&P Global PMI survey data indicate that the global electronics manufacturing industry is facing headwinds from the weakening pace of global economic growth. The headline S&P Global Electronics PMI posted 50.2 in September, up slightly from 49.5 in August, signaling broadly neutral business conditions for global electronics manufacturers. This reflected a further sharp reduction in global new orders which resulted in a fifth successive decline in production.

S&P Global Electronics PMI

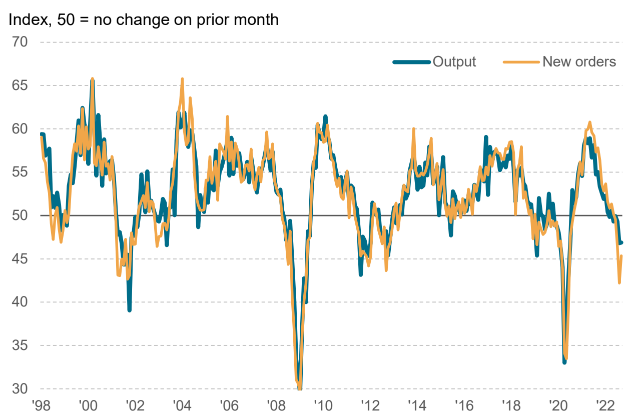


Source: S&P Global PMI surveys.

The two principal sub-components of the Global Electronics PMI – new orders and output – both slipped deeper into contraction territory during August, while inventory levels increased due to sluggish sales and falling production requirements. Weakening economic growth momentum in the US and EU has impacted on consumer demand for electronics, with the economic slowdown in mainland China also contributing to the downturn in new orders.

Worldwide production of electronics decreased again in September, extending the current period of decline to five months. The solid reduction in the latest survey period was broadly in line with that seen during August. There were widespread reports of falling new orders causing the decline in output, with Europe, the US and China all reported as sources of weakness.

S&P Global Electronics PMI Output and New Orders



Source: S&P Global PMI surveys.

Economic outlook

The Malaysian economy has rebounded during the first three quarters of 2022, with economic growth momentum boosted by the easing of COVID-19 restrictive measures as well as buoyant exports of electrical and electronic products, palm oil products as well as oil and gas exports.

Higher world oil and gas prices as a result of the Russia-Ukraine war are also boosting Malaysian energy exports and contributing to higher fiscal revenues. Malaysia has also benefitted from higher palm oil prices during the first half of 2022, due to disruptions to world edible oil markets, including Ukrainian exports of sunflower oil.

The reopening of international borders is also helping the gradual recovery of the international tourism industry, which was an important part of the Malaysian economy prior to the pandemic. Easing of restrictions on entry of migrant labor will also gradually help to support industry sectors that are reliant on foreign workers.

However, there are a number of downside risks to the near-term growth outlook, particularly due to the slowdown in world growth. As China is Malaysia's largest export market and accounts for around 15% of total exports, Malaysia's export sector is vulnerable to the impact of China's economic slowdown. Malaysia's export sector is also vulnerable to weakening economic growth momentum in the US and EU, which together account for around one-fifth of total exports.

Nevertheless, the medium-term economic prospects for Malaysia's electronics industry are favorable. The outlook for electronics demand is underpinned by major technological developments, including 5G rollout over the next five years, which will drive demand for 5G mobile phones.

Demand for industrial electronics is also expected to grow rapidly over the medium term, helped by Industry 4.0, as industrial automation and the Internet of Things boosts rapidly growth in demand for industrial electronics.

Foreign direct inflows (FDI) into Malaysia have been strong in 2021, with a total of Ringgit 209 billion in FDI approved for manufacturing, services and primary sectors. This was the highest annual FDI recorded since 2006. The E&E industry accounted for 81.5% of approved manufacturing FDI in 2021.

Malaysia's competitiveness as a global electronics hub has been highlighted by the decision of a number of electronics multinationals to invest in large-scale new projects. Intel is investing USD 7 billion in a new semiconductors packaging plant in Penang, which is estimated to be completed by 2024 and create thousands of new jobs in Malaysia. Infineon Technologies is constructing a new state-of-the-art wafer fab module in Kulim, with around Ringgit 8 billion of investment. The new module, which is expected to be completed in 2024, will add significant manufacturing capacity in power semiconductors.

Overall, the medium to long-term growth outlook for Malaysia remains favorable, with total nominal GDP measured in USD terms forecast to rise from USD 373 billion in 2021 to USD 720 billion by 2030. Meanwhile per capita GDP is projected to rise from USD 11,500 in 2021 to USD 20,000 by 2030, which will help to drive the growth of the domestic consumer market.

Rajiv Biswas
Asia-Pacific Chief Economist
S&P Global Market Intelligence

Singapore

rajiv.biswas@spglobal.com

Links to more resources

- Sign up to receive updated commentary in your inbox here.
- Calendar of upcoming PMI releases
- Running commentary on the PMI survey findings
- PMI Frequently Asked Questions
- Background to the PMIs (video)
- Understanding the headline PMI and its various subindices
- PMI data use-case illustrations, from nowcasting to investment strategy
- PMI podcasts
- How to subscribe to PMI data

CONTACT US

Chris Williamson
Chief Business Economist
S&P Global Market Intelligence
London

T: +44 779 5555 061
chris.williamson@spglobal.com

Shreeya Patel
Economist
S&P Global Market Intelligence
Bracknell

T : +44 134 4328 196
Shreeya.patel1@spglobal.com

The Americas
+1-877-863-1306

EMEA
+44-20-7176-1234

Asia-Pacific
+852-2533-3565

ihsmarkit.com/products/pmi