PMI®

by S&P Global

Week Ahead Economic Preview

Worldwide manufacturing PMIs, plus US and Eurozone inflation

24 November 2023

Worldwide manufacturing PMI will be due December 1 following the release of flash PMI figures, while tier-1 official data releases include eurozone inflation and updated Q3 GDP figures out of the US, Canada and India. Additionally, the US also issues core PCE and ISM Manufacturing PMI.

Global manufacturing PMI releases will be eagerly watched for more detailed updates on the performance of the good producing sector in November. This comes after flash PMI data from major developed economies mostly revealed a sustained softening of manufacturing sector conditions, especially in the eurozone. Goods trade was muted as well, observing PMI export order indices, though the US showed signs of improvements. The latest data continued to be reflective of persistent pressures from tight financial conditions, a gradually softening economic climate and, in manufacturing, ongoing inventory reduction.

Besides PMI data, several tier-1 data will also be in focus as central bankers continue to stress data dependency. Eurozone's inflation reading will be a key release and watched for further indications of easing, though more recent HCOB Flash Eurozone PMI showed some renewal of price pressures in November. Core PCE data from the US will also be due, but any signs of softening will not come as a surprise after the lower US CPI update earlier. However, S&P Global Flash US PMI showed some reignition of services-led increase in selling price inflation in November.

In APAC, several central bank meetings take place through the week including at the Reserve Bank of New Zealand (RBNZ), Bank of Korea (BoK) and Bank of Thailand (BoT). While all three central banks are slated to stay on hold according to consensus, uncertainty on the inflation end persists for these central banks and as such, PMI figures also due out in the week will help guide the market on the latest inflation developments.

Finally, GDP readings will be due from the US, Canada, India and several eurozone economies. GDP for the quarter ending September from India will be eagerly anticipated given the outperformance observed for the Indian economy via the PMI figures.

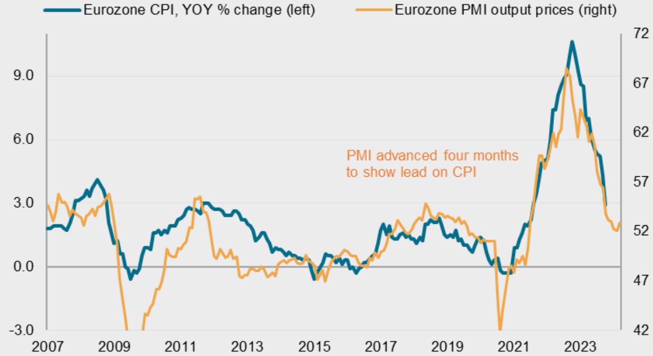
Eurozone inflation watch

November's flash inflation figures will be due from the eurozone in the coming week. After last month's data revealed that inflation has fallen to 2.9% in the single currency bloc, the mood among economists has brightened. Amid market expectations that tightening cycles among most major developed economies have come to an end, further confirmation of easing inflationary pressures in the eurozone will be sought with the incoming official data releases.

The latest HCOB Flash Eurozone PMI data for November signalled a sustained contraction in private sector business activity as new orders declined. That said, the rate of contraction for both output and new orders eased in the latest survey period. The slight turnaround was accompanied by an intensification of price pressures, however, as output price inflation rose for the first time since January while input costs likewise increased at a faster rate.

With the PMI output price gauge leading the trend for official CPI in the economic bloc, the near-term trajectory expected for the latter continues to point lower for the time being. Some stickiness may surface around the 2.0% level in the months to come, but more importantly we will need to watch service sector inflationary pressures, as this guides core inflation. Services continued to outpace that of the goods producing sector in November according to flash PMI releases, and even ticked higher compared to October.

Eurozone inflation



Data compiled November 24, 2023, with October CPI and flash November PMI data.
PMI (Purchasing Managers' Index) value of 50 = no change on prior month, covers manufacturing and services.
Source: S&P Global PMI with HCOB, Eurostat via S&P Global Market Intelligence.

Key diary events

Monday 27 Nov
India Market Holiday
China (Mainland) Industrial Profits (Oct)
United States New Home Sales (Oct)
United States Building Permits (Oct, final)

Tuesday 28 Nov
Australia Retail Sales (Oct, prelim)
Thailand Trade (Oct)
Germany GfK Consumer Confidence (Dec)
Taiwan GDP (Q3, final)
United States House Price Index (Sep)
United States CB Consumer Confidence (Nov)

Wednesday 29 Nov
New Zealand RBNZ Interest Rate Decision
Thailand BoT Interest Rate Decision
Eurozone ECB Non-Monetary Policy Meeting
Spain Inflation (Nov, prelim)
United Kingdom Mortgage Lending and Approvals (Oct)
Eurozone Economic Sentiment (Nov)
Germany Inflation (Nov, prelim)
United States GDP (Q3, 2nd est.)
United States Goods Trade Balance (Oct)
United States Wholesale Inventories (Oct, adv)
United States Fed Beige Book

Thursday 30 Nov
South Korea Industrial Production (Oct)
Japan Industrial Production and Retail Sales (Oct, prelim)
Australia Building Permits (Oct, prelim)
South Korea BoK Interest Rate Decision
China (Mainland) NBS PMI (Nov)
Thailand Industrial Production (Oct)
Japan Consumer Confidence (Nov)
Japan Housing Starts (Oct)
Germany Retail Sales (Oct)
Turkey GDP (Q3)
France Inflation (Nov, prelim)
France GDP (Q3, final)
Germany Unemployment (Nov)
United Kingdom Nationwide Housing Prices (Nov)
Eurozone Inflation (Nov)
Eurozone Unemployment (Oct)
Italy Inflation (Nov, prelim)
India GDP (Q3)
Canada GDP (Q3)
United States Core PCE (Oct)
United States Personal Income and Spending (Oct)
United States Pending Home Sales (Oct)

Friday 1 Dec
Worldwide Manufacturing PMIs, incl. global PMI* (Nov)
Japan Unemployment (Oct)
South Korea Trade (Nov)
Indonesia Inflation (Nov)
France Industrial Production (Oct)
Switzerland GDP (Q3)
Italy GDP (Q3, final)
Brazil Industrial Production (Oct)
Canada Employment (Nov)
United States ISM Manufacturing PMI (Nov)

* Access press releases of indices produced by S&P Global and relevant sponsors here.

What to watch

Worldwide manufacturing PMI

Following the release of November flash PMI across major developed economies, worldwide manufacturing PMI figures will be made available at the start of the new month on Friday, December 1. Demand and employment conditions will be especially closely watched after October's PMI revealed a sustained fall in goods new orders alongside job shedding on aggregate across the globe.

Americas: US Q3 GDP (2nd est.), core PCE, ISM PMI and Canada Q3 GDP and employment data

Key releases from the US in the coming week include the second estimate of US Q3 GDP, followed by core PCE and ISM Manufacturing PMI data.

Over in Canada, Q3 GDP and employment data will be the highlights. The newly launched S&P Global Canada Services PMI revealed that subdued conditions carried through from the third quarter into October in the service sector. Overall, the composite data suggest softer Q3 conditions.

EMEA: Eurozone inflation, unemployment, economic sentiment, Germany GfK Consumer Confidence

Eurozone inflation figures will be eagerly awaited for confirmation of the softening inflation trend alluded to by PMI data thus far. That said, the latest November HCOB Flash Eurozone PMI outlined heightened cost pressures stemming from wages, while output prices also rose faster in November on the back of service sector selling price pressures. The trend here will be worth watching going into the months ahead, especially in relation to core inflation. Eurozone unemployment data will be eyed for labour market resilience.

APAC: RBNZ, BoK, BoT meetings, China PMIs and India GDP, Japan production and retail sales

In APAC, central bank meetings in New Zealand, South Korea and Thailand will unfold in the coming week with no changes expected according to consensus, though elevated inflation conditions continue to pose a challenge in some cases. Key data updates include PMI readings for November while India release GDP for the July-September quarter. Also watch out for production data in Japan.

Special reports:

Flash PMIs Signal Jobs Decline as Economic Malaise Drifts into Fourth Month | Chris Williamson | page 4

Malaysian GDP Growth Improves in Third Quarter of 2023 | Rajiv Biswas | page 8

Recent PMI and economic analysis from S&P Global

Global	Flash PMIs signal jobs decline as economic malaise drifts into fourth month	24-Nov	Chris Williamson
	Emerging markets PMI signal further loss of growth momentum in October	16-Nov	Jingyi Pan
	Monthly PMI Bulletin: November 2023	9-Nov	Jingyi Pan
	Deterioration of trade conditions continues into Q4	8-Nov	Jingyi Pan
	Worldwide business activity stalls in October as global PMI hits 50.0	7-Nov	Chris Williamson
	Global PMI data show prices rising at slowest rate since December 2020	7-Nov	Chris Williamson
	Global factories remain in the doldrums, job losses mount, as demand continues to weaken	3-Nov	Chris Williamson
EMEA	Flash PMI points to UK economic downturn extending into fourth quarter	24-Oct	Chris Williamson
	Rising recession risks as eurozone flash PMI falls in October, price pressures ease further	24-Oct	Chris Williamson
US	US soft landing hopes boosted as flash PMI lifts higher and price pressures abate	25-Oct	Chris Williamson
Asia-Pacific	India's rapid growth continues as inflation pressures ease further	17-Nov	Rajiv Biswas
	Singapore's economic growth improves in third quarter of 2023	10-Nov	Rajiv Biswas

S&P Global Market Intelligence highlights

Shifting Sands: Economic Trends Impacting Global Economies in 2023-4

We study history to learn lessons from the past, helping us better understand the current environment and assess the likely future. Read this detailed review of some of the key signals from the Purchasing Managers' Index™ (PMI®) business survey data in 2023. With global and region-specific coverage and insights giving you an indication of what these trends mean for the global economy as we head into 2024.

Click here to access our research and analysis

PMI Insights: A look at the Americas

The economists see quite a subdued picture in Canada from their latest survey results. Firms are concerned about high interest rates and how they may squeeze clients' budgets. The newly launched PMI for the Canadian service sector, which covers private sector services accounting for about half of the country's GDP, offers additional insights into business activity, new orders, employment and more.

Click here to listen to this podcast by S&P Global Market Intelligence

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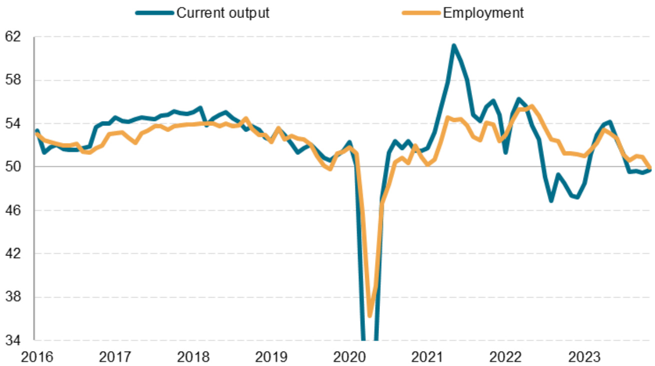
Special Focus

Flash PMIs Signal Jobs Decline as Economic Malaise Drifts into Fourth Month

Flash PMI output and employment, G4 economies



Data compiled November 24, 2023.
PMI covers manufacturing and services. 50 = no change on prior month.
Source: S&P Global PMI with HCOB, CIPS and au Jibun Bank.
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Early PMI survey data for November from S&P Global showed the major developed economies collectively contracting marginally for a fourth month. The decline was again led by the eurozone, though the downturn showed signs of bottoming out, with a steadying of output in the UK also bringing tentative welcome news of diminished recession risk. Growth in the US meanwhile continued to run much weaker than earlier in the year, and Japan's upturn showed signs of stalling.

The surveys continue to indicate that service sector growth remains very subdued in the G4 on average relative to surge seen in spring and summer, while manufacturing remains in decline.

Further falls in backlogs of work in both sectors bode ill for the near-term outlook, but there has been some easing in the rate of decline of new orders, which even returned to tentative growth in the US.

The sustained decline in order backlogs and inflows of new orders nevertheless encouraged firms to cut employment across the G4 for the first time since the early months of the pandemic, hinting that firms have become increasingly cost-conscious in the face of a challenging demand environment.

Inflationary pressures meanwhile ticked higher, albeit remaining muted by recent standards. Service sector inflation remains the key area of inflationary pressure, meaning the order book and employment trends for this sector continue to be the key indicators to watch in coming months to gauge the impact of pricing power and wage bargaining power on inflation, and hence the policy response.

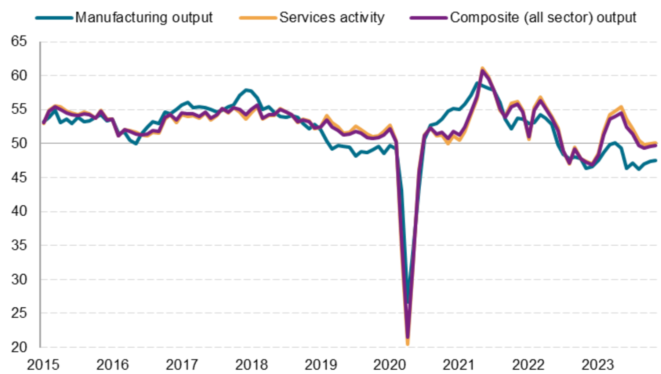
Major developed economies contract as orders slump

Business activity across the four largest developed economies – the G4 – fell for a fourth successive month in November. However, the rate of decline remained only marginal, easing fractionally in October, according to provisional PMI survey data. The flash PMI output index for the G4 economies inched up from 49.5 in October to 49.7, a four-month high yet still below the 50.0 no change level.

By sector, weakness was led by manufacturing, where output contracted across the G4 for a seventh successive month. Factory output across the G4 has now in fact fallen continually over the past 17 months barring April of this year. Disappointingly, factories also continued to wind down their inventories of both purchases and finished goods in November to point to a sustained drag on global factory production from the inventory cycle.

A marginal rise in service sector output across the G4 improved on the fractional decline seen in October, but means activity in the sector has now been largely stagnant for four months, contrasting with the solid growth spurt seen earlier in the year.

Flash PMI output of 'G4' developed economies



Data compiled November 24, 2023.
G4 PMI covers the US, Eurozone, UK and Japan. 50 = no change on prior month.
Sources: S&P Global PMI with HCOB, CIPS and au Jibun Bank.
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Europe-US divergence persists

Geographically, the flash PMI data add to indications that the eurozone economy is likely to contract in the fourth quarter, while growth in the UK has remained largely stalled and the US will see GDP expand, but at a much reduced rate compared to the second and third quarters. Japan is indicated to muster modest growth.

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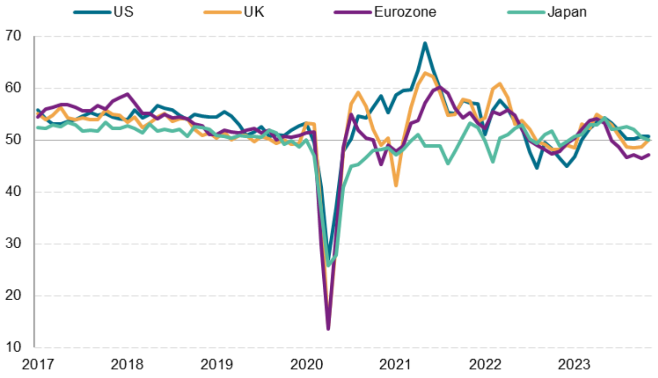
Flash PMI output indicators of 'G4' economies



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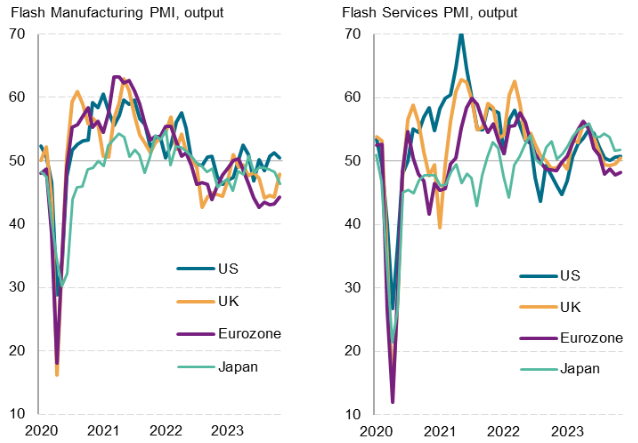

Data compiled November 24, 2023.
PMI 50 = no change on prior month.
Source: S&P Global Market Intelligence with HCOB, au Jibun Bank, CIPS
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Eurozone output fell for a sixth month, albeit the rate of decline moderating in November. The flash composite PMI reading of 47.1, up from 46.5 in October, nevertheless indicated that the pace of decline remained one of the steepest recorded by the PMI since the debt crisis in 2012, if pandemic lockdown months are excluded. An eight month of falling manufacturing output was accompanied by a fourth month of contraction in the service sector, though rates of decline moderated in both cases.

The **United Kingdom** meanwhile reported a marginal rise in output, the composite flash PMI rising from 48.7 in October to 50.1 to thereby hit a four-month high and end a three month spell of decline. The improvement was led by the first improvement in service sector output for four months. Although manufacturing production fell for a ninth straight month, the decline was the smallest recorded since June.

The **United States** composite flash PMI meanwhile held steady at 50.7, registering a fourth month of very subdued growth yet still pointing to a more resilient growth trend compared to that seen in Europe. While service sector growth edged up to a four-month high, though notably remains far weaker than seen earlier in the year, factory output growth slowed close to stagnation.

Finally, growth stalled in **Japan**, which was the only G4 economy to see the level of the composite PMI fall between October and November, down from 50.5 to 50.0, its lowest since the recovery began in January. A modest gain in service sector output was offset by an intensifying downturn in factory output, which dropped at the sharpest rate since February.

Developed world employment falls

The overall picture of largely stalled business activity was accompanied by the survey employment data pointing to a weakening labour market across the G4. Staffing levels across manufacturing and services declined – albeit only fractionally – for the first time since July 2020 (during the early pandemic lockdowns). Among the G4, only Japan reported higher employment, with marginal declines reported elsewhere. The drop in US employment was particularly significant in being the first seen since the early pandemic lockdowns, and in the eurozone the decline was the first since the lockdowns of early-2021. UK employment fell for a third month.

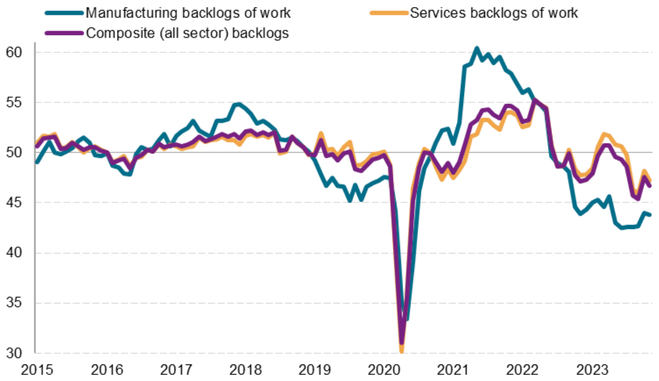
Factory jobs were cut in the G4 for a second successive month, dropping in all four economies. The eurozone factory payroll decline was especially marked and the sharpest since October 2012 if early pandemic months are excluded. UK job losses also remained steep, albeit easing. While the US factory jobs decline was far less severe than seen in Europe, the past two months have nevertheless seen the steepest payroll losses since the global financial crisis is early pandemic months are excluded. A marginal decline was recorded in Japan.

Service sector employment meanwhile came close to stalling on average across the G4. Resilient hiring in Japan was countered by the first drop in US services employment since the early pandemic months and only marginal gains in the eurozone and UK, albeit the latter representing an improvement on declines seen in the prior two months.

Falling orders hint at further pressure on jobs

The overall worsening jobs picture at the G4 level was in part linked to a deterioration in business output expectations for the year ahead in November, but also reflected a fifth successive monthly drop in new orders across goods and services. Notably, demand – as measured by new order inflows – across the G4 continued to fall at a sharper rate than output, the latter being supported by firms continuing to eat into backlogs of orders accumulated in prior months. These backlogs across the G4 have now been in decline for seven successive months, dropping in November at one of the steepest rates seen since comparable data were first available in 2009, barring only the early pandemic months.

Flash PMI backlogs of work of 'G4' developed economies



Data compiled November 24, 2023.
G4 PMI covers the US, Eurozone, UK and Japan. 50 = no change on prior month.
Sources: S&P Global PMI with HCOB, CIPS and au Jibun Bank.
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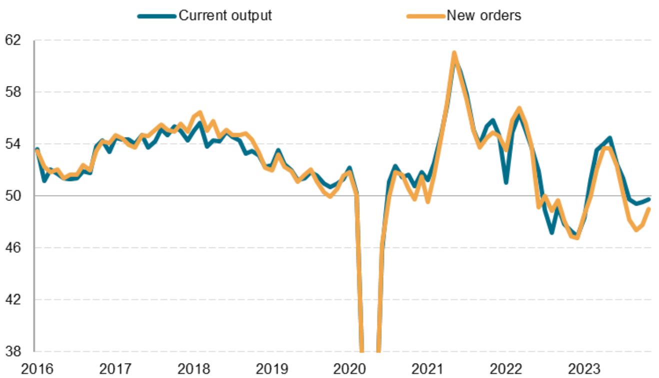
Backlogs of work fell at increased, and marked, rates in the US, UK and eurozone – hinting at persistent output growth weakness and pressure on payroll numbers in the months ahead – but remained steady in Japan.

Flash PMI output and new orders, G4 economies



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Source: S&P Global PMI with HCOB, CIPS and au Jibun Bank.
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Flash PMI employment & backlogs, G4 economies

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Source: S&P Global PMI with HCOB, CIPS and au Jibun Bank.
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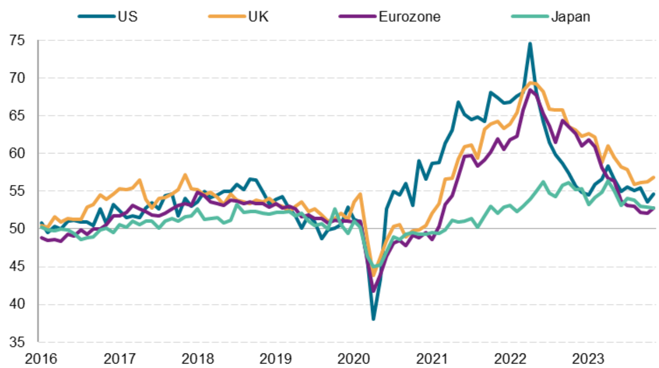
One brighter note was a cooling in the rate of decline of new orders to only a modest pace in November. Upcoming data will be eyed for signs of new orders returning to growth, and hence providing a much-needed justification for firms' current production capacity levels. A tentative such return to new orders growth in the US was already signalled by the November flash PMI, and rates of decline eased in Europe.

Selling price inflation ticks higher, but cost growth weakens

From an inflation perspective, average selling prices for goods and services rose at an increased rate across the G4, albeit still running at one of the lowest rates seen since early 2021. Input cost inflation meanwhile moderated further, slipping to its lowest since November 2020, to add some encouragement to the prospect of selling price inflation cooling again in coming months.

Selling price inflation picked up in the US, Eurozone and UK, the latter remaining especially elevated by historical standards. The eurozone reported the lowest rate of the three, reflecting the relatively weaker demand environment. The rate of increase in Japan eased to its lowest since February 2022.

Flash PMI output price indicators of 'G4' economies



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Manufacturing selling prices barely rose across the G4 on average, albeit with a robust increase seen in Japan and to a lesser extent the US. A marked fall in goods prices was meanwhile seen in the eurozone, with UK prices largely unchanged.

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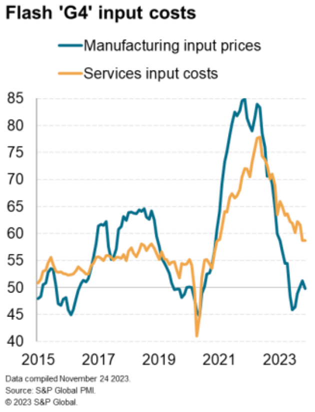
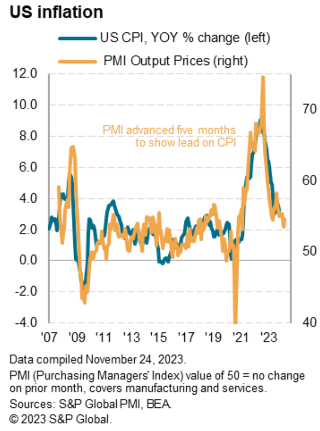
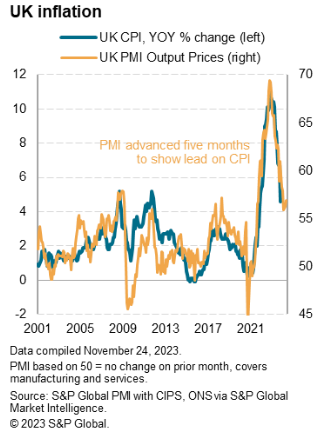
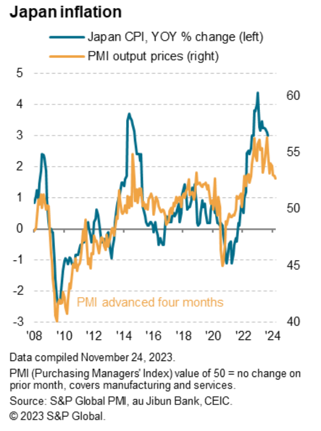


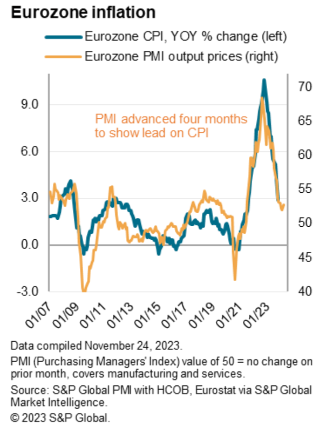




Service sector selling prices meanwhile rose at a slightly increased rate compared to October, with input cost inflation softening slightly. Both rates consequently remain elevated by historical standards, including in all G4 economies, and persist as the principal area of concern in relation to stubbornly high core consumer price inflation.

The employment data will therefore be especially important to watch going forward, helping to assess wage bargaining power as labour costs typically represent the lion's share of service sector input costs, while new order inflows will be a key guide to demand-pull inflation pressure.





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Special Focus

Malaysian GDP Growth Improves in Third Quarter of 2023

Malaysian GDP growth improved to a pace of 3.3% year-over-year (y/y) in the third quarter of 2023, compared with growth of 2.9% y/y in the second quarter of 2023. When measured on a quarter-on-quarter (q/q) basis, the pace of growth strengthened to 2.6% q/q, compared with 1.5% q/q in the second quarter of 2023 and just 0.9% q/q in the first quarter of 2023.

Merchandise exports have been weak during 2023, with exports of goods and services declining by 12% y/y in the third quarter of 2023. However, an important positive factor during 2023 has been the continued gradual recovery of international tourism visits.

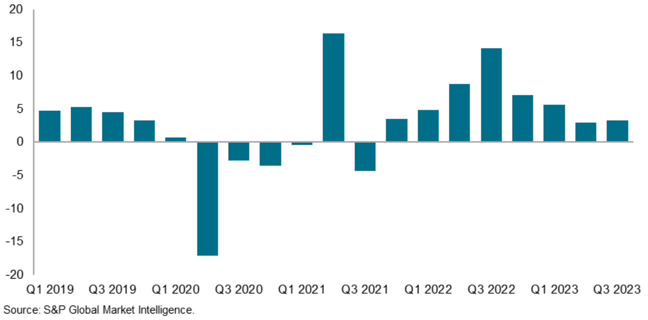
Malaysian economy shows resilient growth in third quarter of 2023

The pace of expansion of the Malaysian economy measured on a year-on-year basis has moderated in 2023 due to a number of headwinds, including the impact of high base year effects and slowing merchandise export growth.

However, measured on a quarter-on-quarter basis, the Malaysian economy has shown improving growth momentum, with GDP growth rising by 2.6% q/q in the third quarter of 2023, after growing by 1.5% q/q in the second quarter of 2023 and by 0.9% q/q in the first quarter of 2023. Growth momentum has shown a significant turnaround compared with contraction of 1.7% q/q in the fourth quarter of 2022.

Malaysia GDP growth

% change, year-on-year



Source: S&P Global Market Intelligence.
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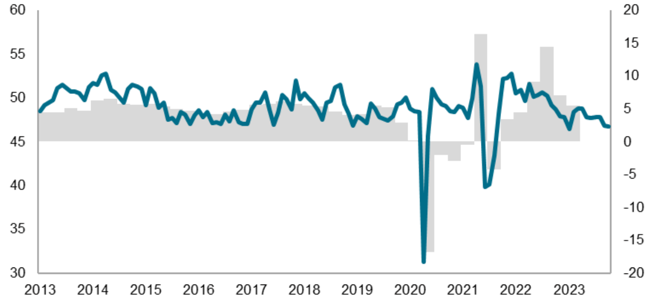
The Malaysian services sector continued to show firm growth of 5.0% y/y in the third quarter of 2023, slightly up from the 4.7% y/y pace recorded in the second quarter of 2023. The pace of expansion in the construction sector also remained strong, growing by 7.2% y/y in the third quarter compared with 6.2% y/y in the second quarter of 2023. That said, growth in the manufacturing sector contracted marginally, down 0.1% y/y, after showing only a marginal increase of 0.1% y/y in the second quarter of 2023.

The seasonally adjusted S&P Global Malaysia Manufacturing Purchasing Managers' Index (PMI) was unchanged at 46.8 in October, still indicating weak operating conditions for the manufacturing sector.

Respondents largely attributed the latest easing in production to weak demand conditions both domestically and internationally. This anecdotal evidence was consistent with data covering total new orders and new export business, both of which saw a sustained slowdown in October. With new orders softening, manufacturers were able to transfer spare resources to work on outstanding business. Backlogs of work subsequently fell sharply over the month.

S&P Global Malaysia Manufacturing PMI

Survey index, 50 = no change on prior month



Source: S&P Global PMI, Department of Statistics Malaysia via S&P Global Market Intelligence.
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During 2022, an important positive factor for the Malaysian manufacturing sector was the strength of manufacturing exports. Overall, Malaysian merchandise exports performed strongly during 2022, with exports rising by 25% y/y. Exports of manufactured goods rose by 22% y/y during 2022, boosted by exports of electrical and electronic products, which rose by 30%. Rising world commodity prices also boosted commodities exports, with mining exports up by 68% y/y due to strong exports of oil and gas, while agricultural exports rose by 23%.

However, in 2023, the pace of export growth for goods has weakened, reflecting base year effects as well as the economic slowdown in key markets, notably the EU and mainland China. Goods exports in the first ten months of 2023 fell by 8% y/y. In October 2023, goods exports showed a modest positive increase of 1.5% y/y. The improvement was helped by a 3.3% y/y rise in agricultural goods exports and a 6.6% increase in exports of machinery, equipment and parts. Exports of mining goods fell by 21.9% y/y, however, due to lower exports of LNG and crude petroleum.

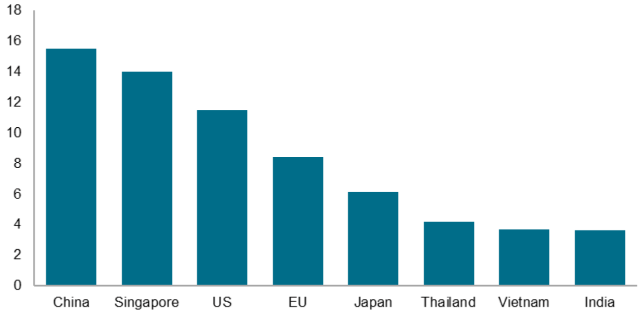
As mainland China is Malaysia's largest export market, accounting for 15.5% of total exports, the weak momentum of the rebound in mainland China's economy during 2023 has also been a significant headwind to Malaysia's exports. Malaysian merchandise exports to mainland China fell by

9.5% y/y in the first ten months of 2023. Exports to mainland China for the month of October remained weak, down by 7.0% y/y.

A positive factor for services exports is that international tourism has been strengthening, as tourist arrivals from major tourism markets in ASEAN, Middle East and Europe continue to recover, while Chinese tourist arrivals gradually improve. Tourism Malaysia is targeting 16.1 million international visitor arrivals for 2023, a 60% increase compared with the estimated 10.1 million international visitor arrivals in 2022. This compares with the pre-pandemic level of 26.1 million international visitor arrivals in 2019. Total international visitor arrivals were estimated to have reached 14.4 million persons during the first nine months of 2023. In 2019, total domestic and international tourism was estimated to have accounted for around 16% of gross value added in Malaysia's total GDP.

Malaysia's major export markets

% of exports



Source: Matrade; EC.
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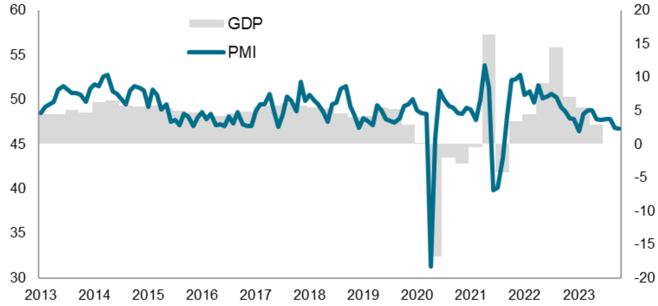
Inflation pressures have been gradually easing

According to S&P Global Malaysia PMI survey data, the rate of input cost inflation increased in October, reaching the highest since November 2022. However, the latest increase was still softer than the series average and much weaker than seen over much of the past three years. According to respondents, inflation reflected both ringgit weakness against the USD and higher costs for raw materials in international markets. Output charges rose for the third month running as firms passed higher input costs on to their customers.

S&P Global Malaysia Manufacturing PMI

Survey index, 50 = no change on prior month



Source: S&P Global PMI, Department of Statistics Malaysia via S&P Global Market Intelligence.
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CPI inflation pressures have been gradually moderating during 2023, easing to a pace of 1.9% y/y in September 2023 compared with 2.0% y/y in August and significantly lower than the reading a year ago, which was 4.5% y/y in September 2022.

During 2022, Malaysia's central bank, Bank Negara Malaysia (BNM), had reduced the degree of monetary accommodation in a series of tightening steps. The most recent monetary policy tightening was on 3rd May 2023, when the Monetary Policy Committee (MPC) decided to increase the Overnight Policy Rate (OPR) by 25 basis points to 3.0%.

The MPC expects that headline inflation will average between 2.5% – 3.0% for 2023. BNM expects that headline inflation will remain modest in 2024. However, an important uncertainty for the inflation outlook in 2024 will be the Malaysian government's intention to review price controls and subsidies in 2024. Existing price controls and fuel subsidies have played a significant role during 2022-23 in partly containing the extent of upward pressures to inflation.

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 38% of merchandise exports, rose by 30% y/y in 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. Exports of integrated circuits grew by 33% y/y in 2022, while exports of parts for integrated circuits rose by 120% y/y. The combined exports of integrated circuits and parts accounted for 58% of Malaysia's total exports of E&E products in 2022.

The global electronics manufacturing industry has slowed since mid-2022 due to the soft pace of economic growth in the US, EU and China. Consequently, Malaysian exports of electrical and electronic products have shown some weakness during 2023. However, the extent of the decline has moderated in recent months, with exports of electrical and electronic products down by only 2.3% y/y in October 2023.

Recent S&P Global survey data continues to indicate that the global electronics manufacturing industry is facing headwinds from weak economic conditions in key markets. The headline seasonally adjusted S&P Global Electronics PMI was at 46.9 in October, continuing to show contractionary conditions across the global electronics manufacturing sector as key consumer markets for electronics, notably mainland China and the EU, have remained weak.

Source: S&P Global Market Intelligence, S&P Global PMI surveys
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Economic outlook

The Malaysian economy rebounded strongly during 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.

In 2022, higher world oil and gas prices as a result of the Russia-Ukraine war boosted Malaysian energy exports and contributed to higher fiscal revenues. Malaysia also benefited from higher average palm oil prices, due to disruptions to world edible oil markets, including Ukrainian exports of sunflower oil.

During 2023, growth momentum has moderated when measured on a year-on-year basis, due to base year effects and the significant decline of merchandise exports. However, the quarter-on-quarter growth rate has strengthened significantly in the second and third quarters of 2023.

The reopening of international borders across the Asia-Pacific region, including in mainland China, has helped the continued gradual recovery of the international tourism industry, which was an important part of the Malaysian economy prior to the pandemic. This is helping to mitigate the impact of weaker merchandise exports. Domestic demand has remained resilient during 2023, helped by the improvement in labour market conditions. Easing of restrictions on entry of migrant labour are also gradually helping to support industry sectors that are reliant on foreign workers.

There are a number of downside risks to growth outlook for 2024, particularly due to continued weak economic conditions in the EU and the sluggish pace of recovery in mainland China. Malaysia's export sector is vulnerable to the risk of protracted weak economic growth momentum in 2024 in the US and EU, which together account for around one-fifth of total exports, as well as downside risks to the pace of mainland China's recovery.

Despite the slowdown in global electronics orders in 2023, the medium-term economic prospects for Malaysia's electronics industry are favourable. 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.

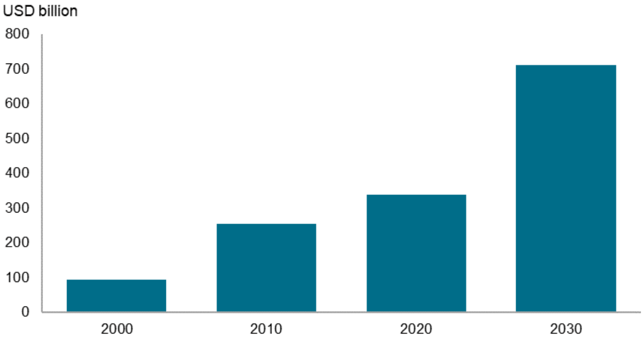
Malaysia's competitiveness as a global electronics hub has been highlighted by the decision of a number of electronics multinationals to invest in large-scale new projects. Intel is investing USD 7 billion in a new semiconductors packaging plant in Penang, which is estimated to be completed by 2024 and 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.

Malaysia set to become a 1 trillion dollar economy by 2035

Overall, the medium to long-term growth outlook for Malaysia remains favourable, with total nominal GDP measured in USD terms forecast to rise from around USD 400 billion in 2022 to USD 710 billion by 2030 and USD 1 trillion by 2035.

Continued…

Malaysia long-term GDP forecast



Source: S&P Global Market Intelligence.
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Meanwhile per capita GDP is projected to rise from USD 12,000 in 2022 to USD 19,300 by 2030 and USD 26,400 by 2035, which will help to drive the growth of the domestic consumer market and also propel Malaysia into the ranks of the world's high-income economies as measured by GDP per person.

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