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IPI accelerates on manufacturing, electricity

PETALING JAYA: Malaysia's industrial production index (IPI) growth accelerated to 4.9% year-on-year (y-o-y) in August from 3.3% y-o-y in the preceding month boosted by the manufacturing and electricity sectors.

The August IPI expansion, however, was lower than market expectations of a 5.4% y-o-y growth.

"This improvement was surprisingly small, in our view, considering the favourable base effects and as this August had more working days than last August, which contributed to a rebound of export growth," Nomura Research said.

"The main boost to headline IPI growth came from manufacturing growth, which rose to 4.6% y-o-y in August from 3.3% y-o-y in July, while electrical and electronics output also improved to 7.9% y-o-y from 4.1% y-o-y.

"This was partly offset by mining growth, which slowed to 4.3% y-o-y from 6.1% y-o-y in July and was constrained by crude oil production. Electricity growth was robust at 11.4% y-o-y, up from 7.1% y-o-y in July," the brokerage wrote in its report.

The Statistics Department said while August IPI grew on a y-o-y basis, the IPI fell 0.9% month-on-month due to the decline in the mining sector but this was mitigated by an increase in the electricity sector and manufacturing sector.

"Even though July-August IPI growth picked up to 4.5% y-o-y from 3.7% y-o-y in the second quarter – boosted by base effects – we expect September IPI growth to slow due to a reversal of the base effect, a normalisation of working days and tighter fiscal policy," Nomura Research said.

"As a result, we estimate third-quarter gross domestic product growth is tracking at 4% y-o-y, unchanged from the second quarter," it explained.

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