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General view of a carboard box manufacturing plant. In the Malaysian manufacturing sector, demand from key overseas markets improved in November, resulting in a net rise in new export orders for the first time in four months. – **REUTERSPIX**

M'sian manufacturing PMI hits 14-month high

IHS Markit's reading for November broadly indicative of annual GDP growth of more than 5%

PETALING JAYA: Malaysia's Manufacturing Purchasing Managers' Index (PMI) rose to a 14-month high of 49.5 in November from 49.3 in October, attributed to an increase in new export business, according to IHS Markit.

Despite being below the neutral 50 level, the current PMI reading is broadly indicative of annual gross domestic product (GDP) growth of over 5%.

According to survey respondents, demand from several key overseas markets improved in November, generating a net rise in new export orders for the first time in four months. Key sources of order book strength were the Middle East and Asia-Pacific regions, as well as higher sales to customers in the US.

Furthermore, the additional support on the demand side led increasing numbers of firms to bolster their output volumes during November, providing further evidence that the production soft patch bottomed out back in June.

IHS Markit's analysis of comparable historical official data on Malaysian manufacturing suggests that, at current levels, the survey's output index is consistent with production regaining momentum compared with earlier in the year, growing at an annual rate in excess of 5%.

In regard to jobs, manufacturing employment levels were held broadly stable in November.

The survey found that operating capacities were clearly sufficient to deal with existing workloads, as backlogs of work declined at a faster rate during the latest survey period. Some survey respondents mentioned that greater resources were pushed into finishing outstanding orders so that manufacturers could prepare for upcoming new projects in the pipeline.

IHS Markit highlighted that expectations of stronger demand and successful contract tenders underpinned ongoing optimism regarding production in the year ahead at Malaysian goods producers.

Meanwhile, the survey data indicated that there were little inflationary pressures in the Malaysian manufacturing sector as input prices rose at only a fractional pace in November, primarily attributed to currency weakness.

"As a result, firms kept their output charges unchanged from October, often focusing on keep prices as low as possible to remain competitive."

Commenting on the latest survey results, IHS Markit chief business economist Chris Williamson said November's survey brought further signs of manufacturing growth picking up momentum.

"The headline PMI, which measures overall business conditions, has now risen for three successive months to reach its highest for over a year, and the survey's production gauge has continued to rise from the low seen at mid-year."

"Both the headline PMI and the survey's output gauge are now running at levels indicative of GDP and manufacturing production growing at annual rates above 5%," he said.

Williamson noted that order books are benefiting from renewed export growth fuelled by improving international trade flows and an easing in global trade tensions.

"Firms are expecting trend to continue as we head towards the year-end, with the survey's future output expectations index running well above the lows seen this time last year. Given Malaysia's export focus, whether these expectations turn into reality will likely depend on the twists and turns in global trade wars, but at the moment the news is looking brighter," he said.