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## MANUFACTURING INDUSTRY CAPACITY UTILISATION STATISTICS, FIRST QUARTER 2023

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## **Manufacturing industry operated with capacity utilisation of 79.6 per cent in the first quarter of 2023**

Statistics of Manufacturing industry capacity utilisation is a new indicator released by DOSM which will provide users with another viewpoint in assessing the performance of the Manufacturing sector in Malaysia. Capacity utilisation refers to a ratio of actual output produced to the production of output at full capacity through an optimal combination of machinery, raw materials and labour.

The capacity utilisation of the Manufacturing industry for the year 2015 to 2022 was in the range of 69.8 per cent to 80.4 per cent. The lowest utilisation rate of the Manufacturing industry was in 2020 (69.8%) following the implementation of a movement control order due to the COVID-19 pandemic, which brought the country's economy to a halt during the year. Meanwhile, a high utilisation rate above 80 per cent was reached in 2015, 2016 and 2022 with a rate of 80.1 per cent, 80.2 per cent and 80.4 per cent respectively.

In the first quarter of 2023, the Manufacturing industry operated with capacity utilisation of 79.6 per cent, lower by 1.5 percentage points as compared to a year ago (Q1 2022: 81.1%). The downturn was primarily attributable to decreases in almost all sub-sectors except for Transport equipment & other manufactures. In comparison with the previous quarter, the capacity utilisation of the Manufacturing industry continued to trend down for two consecutive quarters with negative 0.6 percentage points (Q4 2022: 80.2%; -1.1 percentage points).

The monthly capacity utilisation of Manufacturing industry rate picked up in March 2023 reaching 80.6 per cent after two months of operating below 80 per cent of capacity which was 79.2 per cent (January 2023) and 79.1 per cent (February 2023). Correspondingly, the capacity utilisation rate was lower compared to the same month of the preceding year (January 2022: 81.3%; February 2022: 80.2%; March 2022: 81.7%). Several factors contributed to the lower production capacity in the final month of the first quarter, including low demand; insufficient supply of materials; and repair & maintenance of machinery & equipment.

The highest capacity utilisation rate in the first quarter of 2023 was recorded by the sub-sector of Transport equipment & other manufactures with 84.0 per cent which increased by 3.0 percentage points year-on-year; and followed by Manufacture of petroleum, chemical, rubber and plastics (80.8%; -1.8 percentage points). The utilisation rate for the remaining sub-sectors was below 80 per cent with the lowest posted by Textiles, wearing apparel, leather & footwear sub-sector at 74.5 per cent. The utilisation rate for this sub-sector decreased by 6.4 percentage points as compared to 80.9 per cent recorded in the first quarter of 2022. In comparison with the previous quarter, the Transport equipment & other manufactures and Non-metallic mineral products, basic metals & fabricated metal products posted an increase of 3.5 percentage points and 0.2 percentage points respectively while other sub-sectors recorded a decrease.

The Domestic-oriented industry registered a capacity utilisation rate of 80.5 per cent in the first quarter of 2023, which increased slightly by 0.04 percentage points as compared to the same quarter last year. The three highest increments were recorded by the industry of Manufacture of basic pharmaceutical products & pharmaceutical preparations (82.8%; +6.1 percentage points); Manufacture of food processing products (83.8%; +4.7 percentage points); and Other manufacturing (80.6%; +4.7 percentage points). The capacity utilisation in the Export-oriented industry declined by 2.0 percentage points year-on-year to 79.3 per cent in this quarter. Although most industries in this segment registered a decline in utilisation rate, the Manufacture of vegetable & animals oils & fats posted an increase of 1.2 percentage points to reach 65.9 per cent. Additionally, the Manufacture of wearing apparel (73.7%; +0.4 percentage points) and the Manufacture of plastic products (80.4%; +0.4 percentage points) also experienced slight increases. In comparison with the previous quarter, Domestic-oriented industries registered an increase of 1.0 percentage points while Export-oriented industries declined by 1.2 percentage points.

In the first quarter of 2023, the Manufacturing industry in six states operated at a capacity exceeding 80 per cent. These states were W.P. Labuan (93.3%), Kedah (83.8%), Sarawak (81.6%), Melaka (81.4%), Negeri Sembilan (81.1%) and Johor (80.4%). Selangor which was the major contributor to the Manufacturing sector in Malaysia recorded a utilisation rate of 79.5 per cent in this quarter. Meanwhile, capacity utilisation in the remaining states was below the national rate, ranging from 65.8 per cent to 78.8 per cent.

In comparison with a year ago, Terengganu posted the highest increase with the addition of 6.0 percentage points and followed by W.P. Kuala Lumpur & Putrajaya which increased by 2.8 percentage points. In the meantime, thirteen states posted decreases in capacity utilisation rates in this quarter. Quarter-on-quarter, major contributors to the Manufacturing industry such as Selangor and Johor continued to post a decline in capacity utilisation rate.

Looking at the utilisation rate in several countries in the first quarter of 2023, the United States recorded a rate of 78.4 per cent while China and South Korea posted 74.3 per cent and 70.8 per cent respectively. In the meantime, capacity utilisation in neighbouring countries such as the Philippines was 72.9 per cent while Indonesia at a rate of 72.3 per cent.

The full publication of the Manufacturing Industry Capacity Utilisation Statistics, First Quarter 2023 can be downloaded through eStatistik portal.

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