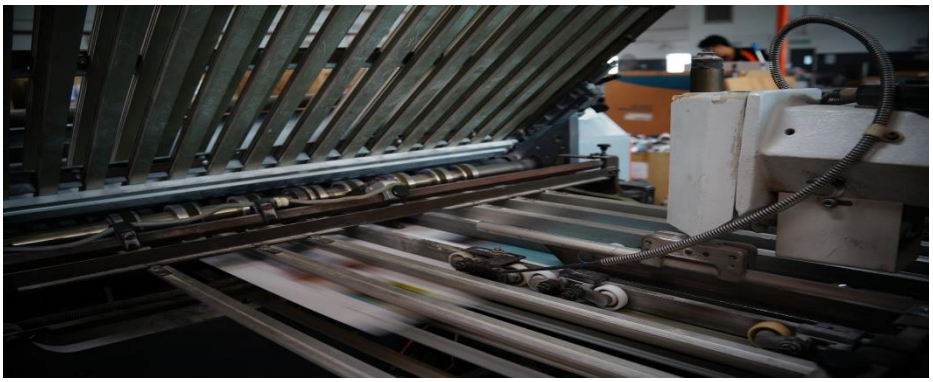
IPI Grew Faster in Dec-24 In Line With More Robust Exports

ECONOMIC REVIEW:
Dec-24 Industrial Production



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Economic Review

- Stronger-than-expected IPI growth in Dec-24. Malaysia's IPI growth was more robust at +4.6%yoy in Dec-24 (Nov-24: +3.6%yoy) due to faster manufacturing production and rebound in the mining sector output. For 2024, IPI grew stronger at +3.8% (2023: +0.7%)
- Encouraging growth for sales of manufactured goods. Sales of manufactured goods also recorded stronger expansion of +5.7%yoy in Dec-24 (Nov-24: +4.5%yoy). This was backed by faster sales growth for computers & peripheral equipment (+18.7%yoy), rubber gloves (+13%yoy) and chemicals & chemical products (+1.7%yoy).
- Projecting IPI growth around +3.0-4.0% in 2025. As we anticipate Malaysia's GDP growth to normalise and more moderate this year, we expect IPI growth to sustain positive growth around +3.0-4.0% this year (2024: +3.8%) but cautious of downside risks from slower external demand and rising production costs.

Stronger-than-expected IPI growth in Dec-24. Malaysia's IPI growth was more robust at +4.6%yoy in Dec-24 (Nov-24: +3.6%yoy). Although the growth was faster in line with stronger export growth, the acceleration was relatively lower than ours and market expectations. By major sector, manufacturing production increased faster at +5.8% (Nov-24: +4.6%yoy), underpinned by stronger output in export-oriented sectors such as E&E, chemical products and refined petroleum products. Moreover, output in the mining sector rebounded to +0.4%yoy (Nov-24: -0.8%yoy) as stronger LNG output (+5.5%yoy) more than offset the sharper drop in the crude petroleum oil production (-7.0%yoy). Electricity generation also rose for the 20th consecutive month at +3.5%yoy (Nov-24: +3.9%yoy) which reflected sustained rise in energy demand. Mining output, on the hand, recorded a smaller decline (-0.8%yoy; Oct-24: -2.8%yoy) dragged down by further decline in crude petroleum but partly offset by increased natural gas production. For the whole of 2024, IPI grew faster at +3.8% (2023: +0.7%), which is more encouraging than our estimate of +3.9%, as all major sectors recorded stronger growth especially manufacturing output, on the back of recovering exports and sustained growth in domestic demand. We expect IPI to continue growing this year as firms to raise production to cope with growing demand.

Table 1: Malaysia – Summary of Industrial Production Index

	MoM%*				YoY%					
	Sep-24	Oct-24	Nov-24	Dec-24	Sep-24	Oct-24	Nov-24	Dec-24	2023	2024
IPI	(2.2)	(0.1)	1.0	(0.5)	2.3	2.0	3.6	4.6	0.7	3.8
Mining	4.9	4.9	(1.4)	1.6	(2.2)	(2.8)	(0.8)	0.4	0.2	0.7
Manufacturing	(3.6)	(1.1)	1.4	(0.7)	3.2	3.3	4.6	5.8	0.7	4.4
Electricity	(0.9)	(0.7)	1.0	(0.6)	3.9	1.9	3.9	3.5	2.0	5.6

* MoM is seasonally adjusted
Source: Macrobond, DOSM, MIDFR

IPI contracted -0.5%mom from Nov-24. On a monthly basis, IPI contracted -0.5%mom in Dec-24 (Nov-24: +1.0%mom) based on seasonally adjusted data. The decline was mainly due to lower manufacturing production (-0.7%mom) and electricity generation (-0.6%mom). The weak manufacturing output was in line with the decline in Malaysia's S&P Global manufacturing PMI, which dropped to 48.6 in Dec-24 (Nov-24: 49.2) which could persist in Jan-25 as the index remained contractionary albeit rising marginally to 48.7. On the other hand, mining sector production went up by +1.6%mom in Dec-24, rebounding from -1.6%mom in Nov-24. While energy generation will closely reflect changes in energy consumption, we expect increased global demand for commodities to continue to support extraction of mining products (i.e. LNG and crude petroleum) going forward.

Table 2: Changes in IPI Major Industries (YoY%)

	Jul-24	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24	2024
IPI	**5.3**	**4.1**	**2.3**	**2.0**	**3.6**	**4.6**	**3.8**
Mining	**(5.0)**	**(6.4)**	**(2.2)**	**(2.8)**	**(0.8)**	**0.4**	**0.7**
Crude Petroleum	(4.4)	(5.7)	(11.4)	(7.5)	(3.8)	(7.0)	(2.6)
Natural Gas	(5.4)	(7.0)	4.5	0.4	1.2	5.5	3.0
Manufacturing	**7.7**	**6.5**	**3.2**	**3.3**	**4.6**	**5.8**	**4.4**
Food Products	10.5	11.1	3.3	7.9	4.8	7.3	5.0
Refined Petroleum Products	11.7	(1.5)	(2.8)	(1.0)	1.1	3.0	1.3
Chemicals & Chemicals Products	6.3	3.2	2.8	0.4	1.6	3.3	2.2
Rubber Products	10.5	11.1	8.6	10.9	9.8	11.9	8.3
Basic Metals	10.5	7.0	5.6	2.8	2.4	1.2	4.6
Electrical & Electronic Products	5.0	7.2	4.9	3.0	8.9	9.4	4.7
Computers & Peripheral Equipment	19.8	15.7	13.1	10.3	10.0	17.5	14.3
Machinery & Equipment	6.5	2.1	0.4	2.7	7.0	8.3	1.3
Motor Vehicles, Trailers & Semi-Trailers	3.9	7.7	(14.9)	(3.4)	(10.9)	(6.9)	0.1
Electricity	**7.0**	**4.2**	**3.9**	**1.9**	**3.9**	**3.5**	**5.6**

Source: Macrobond, MIDFR

Stronger output of export-oriented products… IPI growth for export-oriented sectors expanded at +6.8%yoy in Dec-24 (Nov-24: +5.8%yoy), the fastest growth in 5 months. A number of products recorded stronger output growth, namely computers, electronics, electrical equipment, chemical products, oils & fats, and rubber products. In particular, the improved production of E&E products was in line with the continued E&E export recovery.

Table 3: Changes in IPI for Export-Oriented Industries (YoY%)

	Jul-24	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24	2024
IPI: Export-Oriented Industries	**7.8**	**6.3**	**3.4**	**3.3**	**5.8**	**6.8**	**4.0**
Computer, Electronic and Optical Products	5.0	8.7	5.9	2.9	10.2	10.1	5.8
Electrical Equipment	3.1	1.2	0.6	4.3	1.1	4.6	0.4
Chemicals and Chemical Products	6.3	3.2	2.8	0.4	1.6	3.3	2.2
Coke and Refined Petroleum Products	11.7	(1.5)	(2.8)	(1.0)	1.1	3.0	1.3
Vegetable & animal oils & fats	21.9	22.6	3.0	12.7	3.6	5.3	5.2
Textiles	7.5	5.7	(2.3)	(0.3)	0.6	2.1	2.7
Wearing Apparel	8.3	4.6	2.6	1.6	(3.7)	(1.9)	1.4
Wood and Wood Products	9.7	4.8	6.1	3.7	4.3	6.2	3.7
Furniture	3.0	7.3	5.2	4.6	2.5	3.3	6.6
Rubber Products	10.5	11.1	8.6	10.9	9.8	11.9	8.3

Source: DOSM, MIDFR

…and domestic-oriented sectors too. In addition, higher production of domestic-oriented sectors which grew by +3.7%yoy (Nov-24: +2.2%yoy) also contributed to the stronger IPI growth in Dec-24. Increased production of non-metallic minerals and fabricated metals supported the stronger production of construction materials (+4.0%yoy; Nov-24: +3.6%yoy). Meanwhile, output of consumer products also rose sharper at 3.6%yoy (Nov-24: +1.4%yoy), mainly food products, beverages, and tobacco products. However, production of motor vehicles, trailers and semi-trailers dropped for the fourth straight month at +6.9%yoy (Nov-24: +10.9%yoy). We foresee the sustained domestic demand to drive growth in output of consumer products.

Table 4: Changes in IPI for Domestic-Oriented Industries (YoY%)

	Jul-24	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24	2024
IPI: Domestic-Oriented Industries	**7.5**	**7.1**	**2.7**	**3.3**	**2.2**	**3.7**	**5.1**
Construction (CO)	10.4	9.1	7.7	5.1	3.6	4.0	7.3
CO: Non Metallic Mineral	12.2	9.3	6.6	5.2	2.9	3.5	7.1
CO: Iron and Steel	10.5	7.0	5.6	2.8	2.4	1.2	4.6
CO: Fabricated Metal	9.1	10.3	9.9	6.5	4.9	6.0	9.1
Consumer (CS)	6.0	6.1	(0.2)	2.1	1.4	3.6	3.9
CS: Food Products	4.2	4.4	3.5	4.5	5.6	8.5	4.9
CS: Motor Vehicles, Trailers and Semi-Trailers	3.9	7.7	(14.9)	(3.4)	(10.9)	(6.9)	0.1
CS: Other Transport Equipment	4.6	2.1	1.7	0.9	0.8	0.6	3.0
CS: Beverages	6.7	7.4	7.1	4.8	9.8	11.8	7.0
CS: Tobacco Products	23.4	15.3	10.4	8.4	5.2	7.5	10.0
CS: Paper and Paper Products	7.9	5.1	(0.5)	(1.0)	2.9	2.2	3.0
CS: Others	7.0	3.4	1.9	0.7	1.8	3.6	3.2

Source: DOSM, MIDFR

Encouraging growth for sales of manufactured goods. Sales of manufactured goods also recorded stronger expansion of +5.7%yoy in Dec-24 (Nov-24: +4.5%yoy). This was backed by faster sales growth for computers & peripheral equipment (+18.7%yoy), rubber gloves (+13%yoy) and chemicals & chemical products (+1.7%yoy). During the month, sales of E&E products also recorded another month of growth. Meanwhile, sales of motor vehicles, refined petroleum products and consumer electronics declined further. On a month-to-month basis, sales fell -1.0%mom in Dec-24 from the previous month due to weaker sales of various products such as refined petroleum products, rubber gloves, consumer electronics and selected electrical components. On the other hand, sales improved sequentially from Nov-24 for chemical products, selected electronic products and motor vehicles. If the monthly decline continues, we could see moderate sales growth on an annual basis in the coming months. On the other hand, restocking of products in preparation to face the global trade war could see sales to remain robust in Jan-25.

Table 5: Manufacturing Sales (MoM% and YoY%)

	MoM%			YoY%			
	Oct-24	Nov-24	Dec-24	Oct-24	Nov-24	Dec-24	2024
Manufacturing Sales	**(0.5)**	**0.3**	**(2.2)**	**3.0**	**4.5**	**5.7**	**4.6**
Seasonally-adjusted month-on-month change (%)	*(0.5)*	*0.8*	*(1.0)*	-	-	-	-
Refined Petroleum Products	3.5	(3.8)	(15.1)	(7.0)	(4.4)	(2.4)	(7.2)
Chemicals and Chemical Products	(5.4)	3.8	2.5	(1.0)	0.4	1.7	2.6
Rubber Gloves	7.7	(8.5)	(2.8)	15.5	10.6	13.0	8.4
Iron & Steel Products	1.3	(1.5)	(5.2)	8.6	1.1	(0.3)	7.0
Diodes, Transistor & Electronic Integrated Circuits Mic	(14.9)	(1.3)	0.3	1.2	12.0	7.8	4.4
Electrical Capacitor Resistor, Circuit Board & Display Comp	(16.8)	9.0	(11.4)	(7.9)	3.3	3.5	(3.7)
Computers & Peripherals Equipment	33.1	(11.9)	14.2	15.9	10.6	18.7	25.0
Consumer Electronics	(7.3)	(6.9)	(6.5)	(3.3)	(8.8)	(1.1)	0.2

Motor Vehicles	28.9	(0.8)	0.1	(10.9)	(24.2)	(19.6)	2.6

Source: Macrobond, DOSM, MIDFR

Better IPI in Dec-24 but trade war will affect global production outlook. Several economies also reported stronger IPI growth in Dec-24, although the global manufacturing PMI fell to 49.6 (Nov-24: 50.0) which is partly due to weaker demand. After 5 straight months of contraction. industrial production in the US rebounded to +0.5%yoy thanks to increased output in the utilities and mining sectors. Like Malaysia, South Korea and Taiwan reported stronger IPI growth, particularly manufacturing products such as semiconductor; while IPI rebounded to expansionary in the Philippines on the back of higher production of computers, electronics & optical products. Singapore also recorded sustained rise in IPI growth at +10.6%yoy in Dec-24 as output rebounded in various sub-sectors such as biomedical engineering, chemicals, transport engineering and general manufacturing industries. In contrast, Thailand recorded another month of reduced IPI, albeit at slower pace, due to reduced production of automobiles and electronic components. Japan also registered slower fall in IPI due to signs of improvement in production machinery and electronic parts. We believe the stronger manufacturing output in Dec-24 to a certain extent reflected the frontloading (of production and shipments) by manufacturers ahead of policy changes introduced by the new US government. In other words, businesses could continue to scale back production in response to the intensification of global trade war.

Table 6: IPI for Selected Economies (YoY%)

	May-24	Jun-24	Jul-24	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24
Malaysia	2.4	5.0	5.3	4.1	2.3	2.0	3.6	4.6
Philippines	3.6	3.4	7.1	0.6	(6.9)	(0.7)	(3.5)	0.4
Thailand	(1.5)	(1.6)	1.6	(1.8)	(3.2)	(0.6)	(3.4)	(2.1)
Singapore	2.8	(3.3)	3.0	22.8	9.3	1.2	10.8	10.6
S. Korea	4.2	3.8	5.2	3.6	(1.4)	6.0	0.1	5.3
Taiwan	15.7	12.8	13.0	12.5	11.2	8.8	10.2	20.0
India	6.3	4.9	5.0	0.0	3.1	3.7	5.2	n.a.
Japan	1.1	(7.9)	2.9	(4.9)	(2.6)	1.4	(2.7)	(1.1)
Euro area	(4.4)	(3.9)	(2.2)	(0.4)	(2.1)	(1.1)	(1.9)	n.a.
USA	(0.0)	0.9	(0.5)	(0.1)	(0.7)	(0.5)	(0.6)	0.5

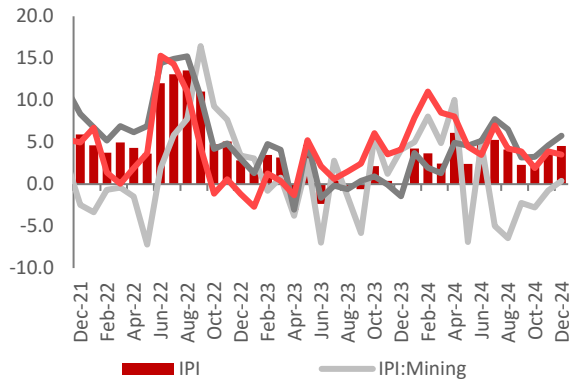
*n.a.: not available

Source: Macrobond, MIDFR

Moderation in GDP may not be as sharp as advance estimate. In 4QCY24, IPI growth eased somewhat to +3.4%yoy (3QCY24: +3.9%yoy) mainly reflecting the moderate growth in manufacturing (4QCY24: +4.5%yoy; 3QCY24: +5.8%yoy) and electricity (4QCY24: +3.1%yoy; 3QCY24: +5.0%yoy) output. Based on the smaller moderation in IPI growth (taking into account the stronger expansion in Dec-24), we believe this suggests that the full-quarter 4QCY24 GDP growth could be slightly stronger than the advance estimate of +4.8%yoy.

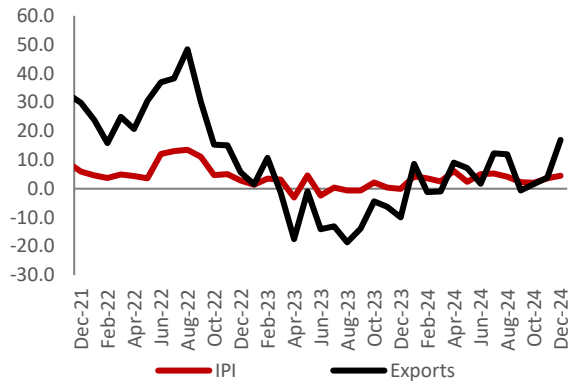
Projecting IPI growth around +3.0-4.0% in 2025. As we anticipate Malaysia's GDP growth to normalise and more moderate this year, we expect IPI growth to sustain positive growth around +3.0-4.0% this year (2024: +3.8%). While we expect businesses to increase production to cope with growing demand, we remain cautious of downside risks from slower external demand (on the back of global trade war and risk of global reflation) and rising production costs.

Chart 1: IPI Performance by Sector (YoY%)



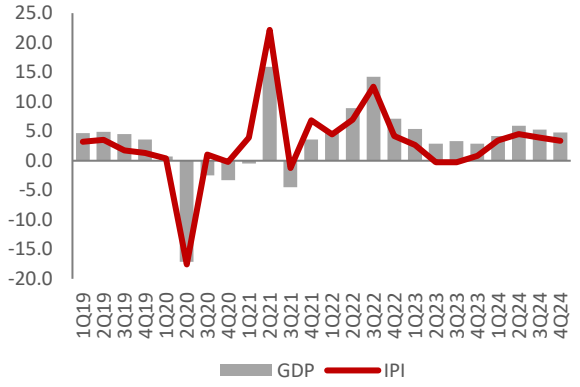
Source: Macrobond, MIDFR

Chart 2: IPI vs Exports (YoY%)



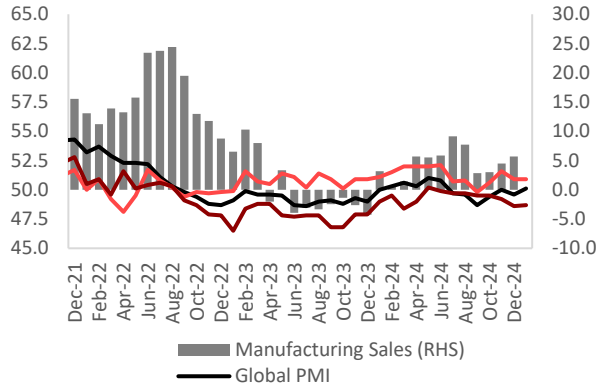
Source: Macrobond, MIDFR

Chart 3: IPI vs GDP (YoY%)



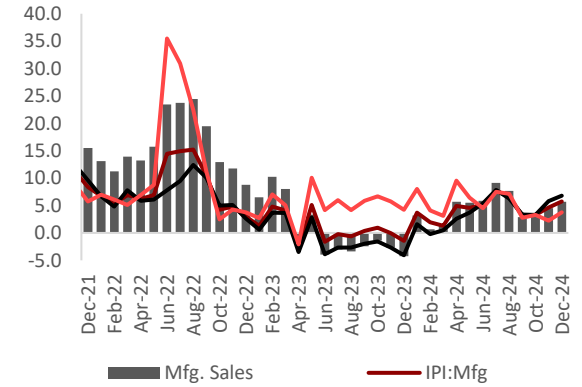
Source: Macrobond, MIDFR

Chart 4: Mfg. Sales (YoY%) vs PMI (Points)



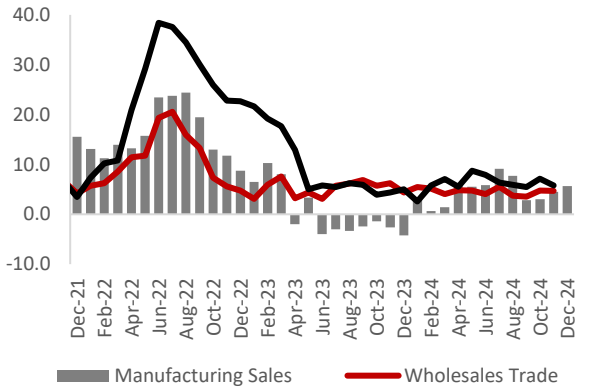
Source: Macrobond, MIDFR

Chart 5: IPI & Mfg. Sales (YoY%)



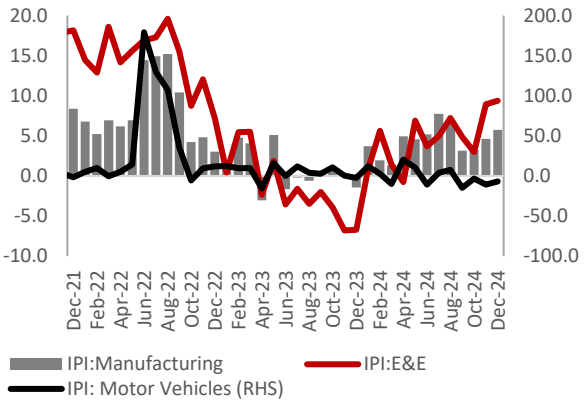
Source: Macrobond, MIDFR

Chart 6: Mfg. Sales vs. Wholesale & Retail Trade (YoY%)



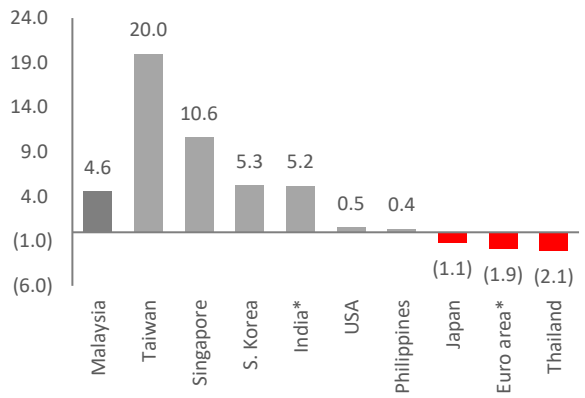
Source: Macrobond, MIDFR

Chart 7: IPI: Mfg. vs IPI: Motor Vehicles & IPI: E&E (YoY%)



Source: Macrobond, MIDFR

Chart 8: Global IPI in Dec-24 (YoY%)



* refers to the latest available data for Nov-24
Source: Macrobond, MIDFR

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