IPI Moderated Jan-25 Due to Slower Expansion in Manufacturing Output

ECONOMIC REVIEW:
Jan-25 Industrial Production



Author
MIDF Research
research@midf.com.my

Economic Review

- IPI growth moderated more than expected. Malaysia's IPI growth eased to +2.1%yoy in Jan-25 (Dec-24: +4.6%yoy), moderating more than expected due to slower growth in manufacturing output and declines in mining production and electricity generation.
- Sales of manufactured goods rose further in Jan-25. Total sales of manufactured goods registered sustained expansion of +3.5%yoy in Jan-25 (Dec-24: +5.7%yoy), supported by double-digit growth in rubber gloves and computer & peripheral equipment as well as higher sales of E&E components.
- IPI growth to ease around +3.4% in 2025. We forecast Malaysia's IPI growth to moderate to around +3.4% this year (2024: +3.8%), in line with our view that economic growth will return to more normalized pace. Nevertheless, we remain cautious production activities may be constrained by potentially weaker external demand and rising production costs.

IPI growth moderated more than expected. Malaysia's IPI growth eased to +2.1%yoy in Jan-25 (Dec-24: +4.6%yoy), growing for the 13th straight month since Jan-24. The moderation was expected in view of slower export growth, but the Jan-25 IPI growth was relatively below ours and market expectations mainly due to slower growth in manufacturing output (+3.7%yoy; Dec-24: +5.8%yoy), particularly weighed down by reduced output of motor vehicles. Meanwhile, mining output fell by -3.1%yoy during the month mainly because of sharper contraction in crude oil production. Electricity generation also decreased marginally by -0.1%yoy, marking the first decline after 20th month of expansion. Despite the small contraction, overall energy demand was largely unchanged from a year ago. Despite the slower growth in Jan-25, we continue to expect IPI to continue expanding this year as firms strive to fulfill growing demand. Nevertheless, some sectors may be more cautious in view of the intensified trade tensions following hikes in import tariffs announced by the US government, which could affect this year's trade and manufacturing outlook.

Table 1: Malaysia – Summary of Industrial Production Index

	MoM%*				YoY%			
	Oct-24	Nov-24	Dec-24	Jan-25	Oct-24	Nov-24	Dec-24	Jan-25
IPI	0.2	0.5	0.3	0.2	2.2	3.4	4.6	2.1
Mining	3.3	(0.3)	1.9	(2.9)	(1.9)	(1.4)	0.9	(3.1)
Manufacturing	(0.5)	0.7	0.0	1.2	3.3	4.6	5.8	3.7
Electricity	(0.3)	0.8	(0.2)	(1.3)	1.9	3.9	3.5	(0.1)

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

IPI rose +0.2% mom from Dec-24. On month-on-month basis, the latest data indicated that Malaysia's industrial production increased further at +0.2%mom in Jan-25 (Dec-24: +0.5%mom). The sustained monthly rise mainly reflected the stronger manufacturing production (+1.2%mom), more than offset the declines in electricity generation (-1.3%mom) and mining output (-2.9%mom). Contrary to our expectations last month, the revised data also showed that IPI has been increasing on monthly basis since Oct-24 although Malaysia's S&P Global manufacturing remained below 50 since Jun-24. Looking at the improvement in

manufacturing PMI, which rose to 49.7 in Feb-25 (Dec-24: 48.7), we expect production to pick up in line with the increase in new orders. The Feb-25 PMI report also indicated that manufacturing firms expressed better confidence that new orders will continue to grow and pick up going forward. Nevertheless, we expect some firms will also adopt a cautious approach in their production plans as the PMI report also showed new export demand fell for the third consecutive month.

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

	Jul-24	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24	Jan-25
IPI	**5.8**	**4.2**	**2.2**	**2.2**	**3.4**	**4.6**	**2.1**
Mining	**(2.4)**	**(6.1)**	**(1.8)**	**(1.9)**	**(1.4)**	**0.9**	**(3.1)**
Crude Petroleum	(0.3)	(5.9)	(11.7)	(7.8)	(5.5)	(6.5)	(10.0)
Natural Gas	(3.9)	(6.3)	5.4	2.1	1.3	5.9	1.4
Manufacturing	**7.7**	**6.5**	**3.2**	**3.3**	**4.6**	**5.8**	**3.7**
Food Products	10.5	11.1	3.3	7.9	4.8	7.3	7.6
Refined Petroleum Products	11.7	(1.5)	(2.8)	(1.0)	1.1	3.0	3.4
Chemicals & Chemicals Products	6.3	3.2	2.8	0.4	1.6	3.3	2.7
Rubber Products	10.5	11.1	8.6	10.9	9.8	11.9	8.6
Basic Metals	10.5	7.0	5.6	2.8	2.4	1.2	0.8
Electrical & Electronic Products	5.0	7.2	4.9	3.0	8.9	9.4	7.2
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	4.0
Motor Vehicles, Trailers & Semi-Trailers	3.9	7.7	(14.9)	(3.4)	(10.9)	(6.9)	(17.3)
Electricity	**7.1**	**4.5**	**2.0**	**1.9**	**3.9**	**3.5**	**(0.1)**

Source: Macrobond, MIDFR

Easing but still encouraging growth for export-oriented output. IPI for export-oriented sectors sustained growth at +5.6%yoy in Jan-25 (Dec-24: +6.8%yoy), albeit at relatively slower pace. The continued growth was underpinned by higher production of E&E products and other goods such as chemicals, oils & fats and rubber products. In contrast, the output of textiles and furniture fell during demand. We expect the production of E&E products and other industrial commodities to continue growing, in line with the growing demand from the overseas markets.

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

	Jul-24	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24	Jan-25
IPI: Export-Oriented Industries	**7.8**	**6.3**	**3.4**	**3.3**	**5.6**	**6.8**	**5.6**
Computer, Electronic and Optical Products	5.0	8.7	5.9	2.9	8.8	10.1	7.9
Electrical Equipment	3.1	1.2	0.6	4.3	1.1	4.6	5.1
Chemicals and Chemical Products	6.3	3.2	2.8	0.4	1.6	3.3	2.7
Coke and Refined Petroleum Products	11.7	(1.5)	(2.8)	(1.0)	2.8	3.0	3.4
Vegetable & animal oils & fats	21.9	22.6	3.0	12.7	3.6	5.3	8.9
Textiles	7.5	5.7	(2.3)	(0.3)	0.6	2.1	(3.4)
Wearing Apparel	8.3	4.6	2.6	1.6	(3.7)	(1.9)	0.8
Wood and Wood Products	9.7	4.8	6.1	3.7	4.3	6.2	3.2
Furniture	3.0	7.3	5.2	4.6	2.5	3.3	(0.1)
Rubber Products	10.5	11.1	8.6	10.9	9.8	11.9	8.6

Source: DOSM, MIDFR

Sharper moderation in output of domestic-oriented products. In contrast, IPI for domestic-oriented products experienced a sharper moderation, slowing to +0.2%yoy in Jan-25 (Dec-24: +3.7%yoy), marking the slowest annual expansion in 21 months. This was due to reduced production of consumer goods (-1.3%yoy), mainly motor vehicles and transport equipment. Production of

other products such as foods, beverages and tobacco remained on expansion although rising at relatively slower pace. On the other hand, production of construction-related goods also moderates to +2.7%yoy (Dec-24: +4.0%yoy), reflecting the moderation in output growth for iron & steel, fabricated metal and non-metal minerals. Excluding motor vehicles, we expect the sustained growth in domestic spending and investment will continue to drive production of consumer- and construction products in the coming months.

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

	Jul-24	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24	Jan-25
IPI: Domestic-Oriented Industries	**7.5**	**7.1**	**2.7**	**3.3**	**2.6**	**3.7**	**0.2**
Construction (CO)	10.4	9.1	7.7	5.1	3.6	4.0	2.7
CO: Non Metallic Mineral	12.2	9.3	6.6	5.2	2.9	3.5	1.1
CO: Iron and Steel	10.5	7.0	5.6	2.8	2.4	1.2	0.8
CO: Fabricated Metal	9.1	10.3	9.9	6.5	4.9	6.0	4.8
Consumer (CS)	6.0	6.1	(0.2)	2.1	2.0	3.6	(1.3)
CS: Food Products	4.2	4.4	3.5	4.5	5.6	8.5	7.0
CS: Motor Vehicles, Trailers and Semi-Trailers	3.9	7.7	(14.9)	(3.4)	(8.2)	(6.9)	(17.3)
CS: Other Transport Equipment	4.6	2.1	1.7	0.9	0.8	0.6	(3.3)
CS: Beverages	6.7	7.4	7.1	4.8	9.8	11.8	5.0
CS: Tobacco Products	23.4	15.3	10.4	8.4	5.2	7.5	1.6
CS: Paper and Paper Products	7.9	5.1	(0.5)	(1.0)	2.9	2.2	(1.7)
CS: Others	7.0	3.4	1.9	0.7	1.8	3.6	6.5

Source: DOSM, MIDFR

Sales of manufactured goods rose further in Jan-25. Total sales of manufactured goods registered sustained expansion of +3.5%yoy in Jan-25 (Dec-24: +5.7%yoy), expanding for the 13th straight month albeit at slower pace due to the higher base a year ago. The increased sales were supported by double-digit growth in rubber gloves and computer & peripheral equipment as well as higher sales of E&E components, which offset the weaker sales of motor vehicles, consumer electronics and refined petroleum products. On a month-to-month basis, manufacturing sales rebounded to +4.3%mom in Jan-25 (Dec-24: -1.0%mom), based on the seasonally adjusted data. Stronger monthly sales were recorded by various products such as refined petroleum, chemicals, rubber gloves and electrical components. On the other hand, sales of electronics products, computers & peripherals, consumer electronics and motor vehicles were lower than Dec-24. We expect sales of E&E and other export-oriented products will continue to grow in view of growing external demand, while weak demand (and more cautious spending) could affect sales of motor vehicles and consumer electronics going forward.

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

	MoM%			YoY%		
	Nov-24	Dec-24	Jan-25	Nov-24	Dec-24	Jan-25
Manufacturing Sales	**0.3**	**(2.2)**	**(0.2)**	**4.5**	**5.7**	**3.5**
Seasonally adjusted month-on-month change (%)	*0.8*	*(1.0)*	*4.3*	-	-	-
Refined Petroleum Products	(4.1)	(14.8)	10.9	(4.4)	(2.4)	(2.1)
Chemicals and Chemical Products	3.8	2.5	9.0	0.4	1.7	1.0
Rubber Gloves	(8.5)	(2.8)	8.4	10.6	13.0	12.8
Iron & Steel Products	(1.5)	(5.2)	(2.1)	1.1	(0.3)	0.5
Diodes, Transistor & Electronic Integrated Circuits Mic	(1.3)	0.3	(10.4)	12.0	7.8	7.5
Electrical Capacitor Resistor, Circuit Board & Display Comp	9.0	(11.4)	2.3	3.3	3.5	7.5
Computers & Peripherals Equipment	10.4	(3.2)	(11.9)	10.6	18.7	14.1
Consumer Electronics	(6.9)	(6.5)	(17.7)	(8.8)	(1.1)	(14.6)
Motor Vehicles	(0.8)	0.1	(12.5)	(24.2)	(19.6)	(30.7)

Source: Macrobond, DOSM, MIDFR

Economies reported mixed IPI performance in Jan-25. IPI growth was mixed in Jan-25 looking at the performance in different countries, although the global manufacturing PMI improved to 50.1 (Dec-24: 49.6) back to expansion as a result of growing production and new orders. In the US, industrial production rose faster at 2.0%yoy (Dec-24: +0.3%yoy) due to increased production in the manufacturing, mining and utility sectors. Production also picked up by +2.6%yoy in in Jan-25 in Japan, rebounding from 2 months of contraction, supported by increased production of passenger cars & trucks, machinery, and mining products. In regional economies, Singapore and the Philippines also recorded stronger IPI growth in Jan-25 at +9.1%yoy and +4.0%yoy, respectively. Singapore's production was boosted by increased output of electronics, particularly semiconductors, and biomedical engineering. Meanwhile, the Philippines reported stronger production of machinery & equipment, electrical equipment, and beverages. Like Malaysia, Taiwan's IPI growth slowed to +5.1%yoy (Dec-24: +19.8%yoy) due to slower manufacturing output and sharper fall in mining production. In South Korea, IPI fell again by -4.1%yoy in Jan-25 (Dec-24: +4.4%yoy) dragged down by weaker production in the manufacturing & mining sectors, including machinery, and utilities. In Thailand, IPI fell in Jan-25 for the sixth straight month albeit at slower pace -0.9%yoy (Dec-24: -1.8%yoy) attributable to weaker production of iron & steel, electronic components & boards, and refined petroleum products. Similarly, euro area's production activities remained sluggish as the region's IPI fell further by -2.0%yoy in Dec-24, contracting for the 20th consecutive month since May-23. While the further rise in global manufacturing PMI to 50.6 signals the positive momentum will likely continue in Feb-25, firms could be cautious in ramping up production amid the intensified trade war between the US and other economies.

Table 6: IPI for Selected Economies (YoY%)

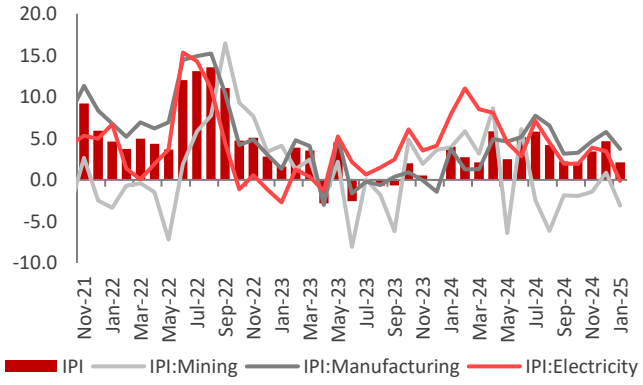
	Jun-24	Jul-24	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24	Jan-25
Malaysia	5.2	5.8	4.2	2.2	2.2	3.4	4.6	2.1
Philippines	3.3	7.1	0.4	(7.1)	(1.1)	(3.8)	0.2	4.0
Thailand	(1.2)	2.0	(1.2)	(3.0)	(0.1)	(3.3)	(1.8)	(0.9)
Singapore	(3.3)	3.0	22.7	9.3	1.2	10.8	5.2	9.1
S. Korea	3.4	5.2	3.9	(1.5)	6.4	(0.3)	4.4	(4.1)
Taiwan	13.1	13.0	12.7	11.7	8.8	10.4	19.8	5.1
India	4.9	5.0	0.0	3.2	3.7	5.0	3.2	n.a.
Japan	(7.9)	2.9	(4.9)	(2.6)	1.4	(2.7)	(1.6)	2.6
Euro area	(3.9)	(2.1)	(0.4)	(2.1)	(1.0)	(1.8)	(2.0)	n.a.
USA	0.9	(0.5)	(0.1)	(0.7)	(0.4)	(0.9)	0.3	2.0

*n.a.: not available

Source: Macrobond, MIDFR

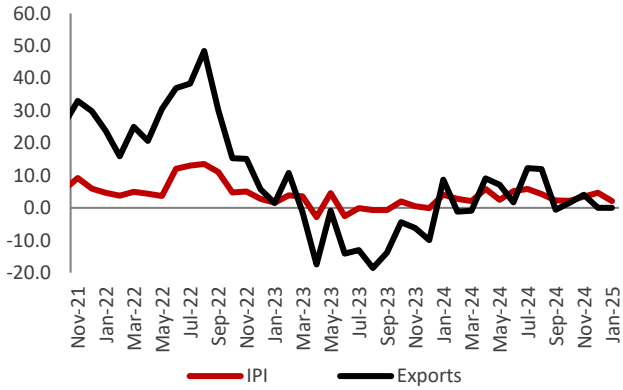
IPI growth to ease around +3.4% in 2025. We forecast Malaysia's IPI growth to moderate to around +3.4% this year (2024: +3.8%), in line with our view that economic growth will return to more normalized pace. While we expect businesses will continue to increase production to cope with growing demand, we remain cautious that firms may curb production in response to downside risks such as weaker external demand (on the back of intensified trade tensions) and rising production costs.

Chart 1: IPI Performance by Sector (YoY%)



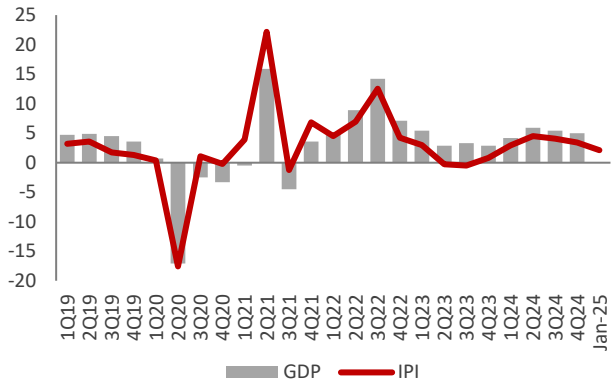
Source: Macrobond, MIDFR

Chart 2: IPI vs Exports (YoY%)



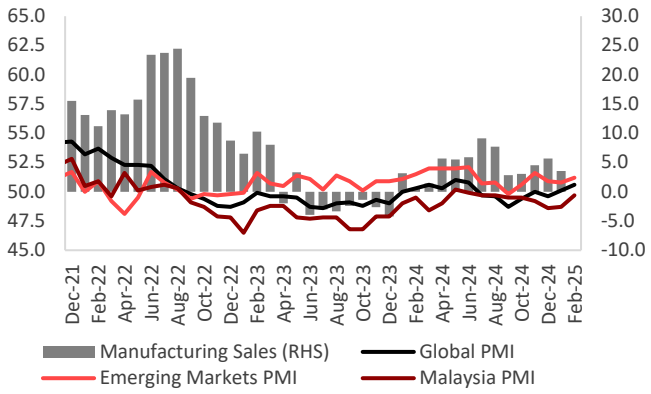
Source: Macrobond, MIDFR

Chart 3: IPI vs GDP (YoY%)



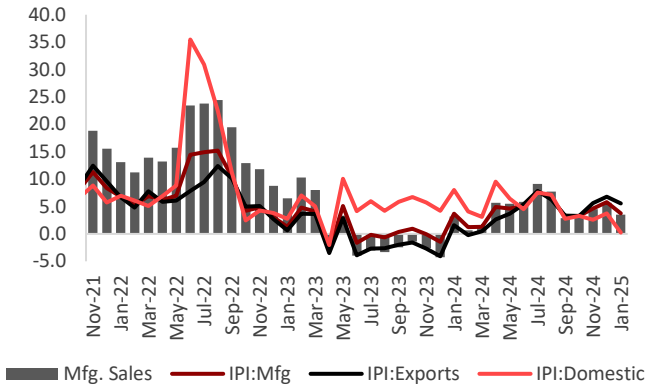
Source: Macrobond, MIDFR

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



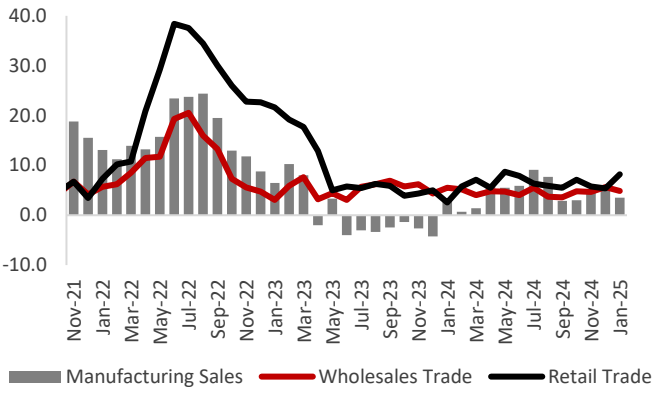
Source: Macrobond, MIDFR

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



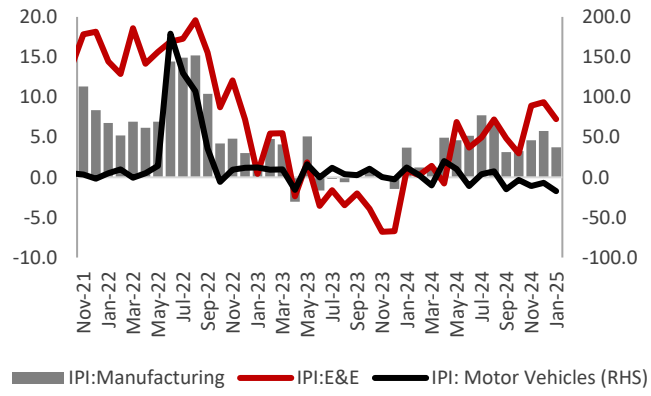
Source: Macrobond, MIDFR

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



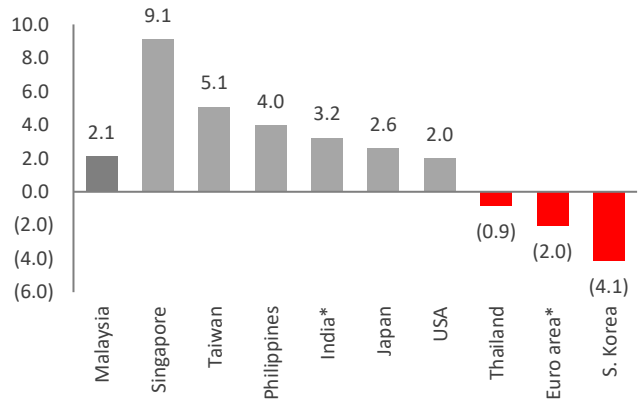
Source: Macrobond, MIDFR

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



Source: Macrobond, MIDFR

Chart 8: Global IPI in Jan-25 (YoY%)



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

MIDF RESEARCH is part of MIDF Amanah Investment Bank Berhad

197501002077 (24878-X).

(Bank Pelaburan) (A Participating Organisation of Bursa Malaysia Securities Berhad)

DISCLOSURES AND DISCLAIMER

This report has been prepared by MIDF AMANAH INVESTMENT BANK BERHAD 197501002077 (24878-X).

It is for distribution only under such circumstances as may be permitted by applicable law.

Readers should be fully aware that this report is for information purposes only. The opinions contained in this report are based on information obtained or derived from sources that we believe are reliable. MIDF AMANAH INVESTMENT BANK BERHAD makes no representation or warranty, expressed or implied, as to the accuracy, completeness or reliability of the information contained therein and it should not be relied upon as such.

This report is not, and should not be construed as, an offer to buy or sell any securities or other financial instruments. The analysis contained herein is based on numerous assumptions. Different assumptions could result in materially different results. All opinions and estimates are subject to change without notice. The research analysts will initiate, update and cease coverage solely at the discretion of MIDF AMANAH INVESTMENT BANK BERHAD.

The directors, employees and representatives of MIDF AMANAH INVESTMENT BANK BERHAD may have an interest in any of the securities mentioned and may benefit from the information herein. Members of the MIDF Group and their affiliates may provide services to any company and affiliates of such companies whose securities are mentioned herein This document may not be reproduced, distributed or published in any form or for any purpose.