IPI Grew Slower in Feb-25 Despite Stronger Manufacturing Output

ECONOMIC REVIEW:
Feb-25 Industrial Production

Economic Review



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- IPI grew slower than expected. Malaysia's IPI growth moderated further to +1.5%yoy in Feb-25 (Jan-25: +2.1%yoy), weighed down by reduced mining output and electricity generation. However, the positive growth was supported by stronger manufacturing output such as foods, chemicals and E&E products.
- Sales of manufactured goods picked up in Feb-25. As expected, sales of manufactured goods grew faster at +4.7%yoy in Feb-25 (Jan-25: +3.5%yoy), expanding for the 14th straight month and underpinned by higher demand for chemicals, rubber gloves, computer & peripheral equipment and E&E components.
- IPI growth to experience sharper moderation to +2.0% in 2025. Following our downward revision to manufacturing and mining sector outlook, we now forecast Malaysia's IPI to experience a more moderate growth of +2.0% this year (2024: +3.8%).

IPI grew slower than expected. Malaysia's IPI growth moderated further to +1.5%yoy in Feb-25 (Jan-25: +2.1%yoy) but marking the 13th consecutive month of expansion since Jan-24. The reading was weaker than expected as we anticipated a stronger IPI growth (around +3.0%yoy) in view of better export performance. However, it was not a surprise that the relatively weaker performance was largely due to a sharper contraction in the mining output (-8.9%yoy; Jan-25: -3.1%yoy) in view of continued weakness in the production of crude oil and natural gas. In addition, steeper decline in electricity output (-2.8%yoy; Jan-25: -0.2%yoy) also contributed to the modest IPI growth. On a positive note, manufacturing recorded higher output, growing faster at +4.8%yoy (Jan-25: +3.7%yoy) due to increased output for food products (+11.6%yoy), machinery equipment (+8.4%yoy), and E&E products (+8.0%yoy). Motor vehicle output, however, remained weak albeit registering a slower decline of -9%yoy (Jan-25: -17.3%yoy). We anticipate IPI to continue expanding this year as firms increase production to fulfill rising demand. However, the pace of growth will likely moderate as production in certain sectors may be slowed as companies adopt cautious stance amid escalating trade tensions, following the recent import tariff hikes by the US government.

Table 1: Malaysia – Summary of Industrial Production Index

	MoM%*				YoY%			
	Nov-24	Dec-24	Jan-25	Feb-25	Nov-24	Dec-24	Jan-25	Feb-25
IPI	0.5	0.3	0.2	(0.3)	3.4	4.6	2.1	1.5
Mining	(0.3)	1.9	(2.9)	(5.1)	(1.4)	0.9	(3.1)	(8.9)
Manufacturing	0.7	0.0	1.2	2.3	4.6	5.8	3.7	4.8
Electricity	0.8	(0.2)	(1.4)	1.0	3.9	3.5	(0.2)	(2.8)

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

IPI recorded marginal decline from a month ago. On month-on-month basis, the latest data indicated that Malaysia's industrial production fell by -0.3%mom in Feb-25 (Jan-25: +0.2%mom). The monthly fall mainly reflected the sharp contraction in mining production (-5.1%mom), offsetting growth in electricity generation (+1.0%mom) and manufacturing output (+2.3%mom). The decline in the manufacturing PMI to 48.8 in Mar-25 (Feb-25: 49.7) suggests continued weakness in the sector as demand conditions remained subdued and marking the tenth consecutive month of contraction. In view of the contraction in new orders, we expect production may be constrained and slashed in the near term, especially for export-oriented products. We anticipate that some firms will adopt a more cautious approach to their production plans because the PMI report indicated a further decline in new export orders. This suggests that heightened global trade uncertainty is weighing on global demand.

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

	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24	Jan-25	Feb-25
IPI	**4.2**	**2.2**	**2.2**	**3.4**	**4.6**	**2.1**	**1.5**
Mining	**(6.1)**	**(1.8)**	**(1.9)**	**(1.4)**	**0.9**	**(3.1)**	**(8.9)**
Crude Petroleum	(5.9)	(11.7)	(7.8)	(5.5)	(6.5)	(10.0)	(6.7)
Natural Gas	(6.3)	5.4	2.1	1.3	5.9	1.4	(10.3)
Manufacturing	**6.5**	**3.2**	**3.3**	**4.6**	**5.8**	**3.7**	**4.8**
Food Products	11.1	3.3	7.9	4.8	7.3	7.6	11.6
Refined Petroleum Products	(1.5)	(2.8)	(1.0)	1.1	3.0	3.4	(0.8)
Chemicals & Chemicals Products	3.2	2.8	0.4	1.6	3.3	2.7	5.7
Rubber Products	11.1	8.6	10.9	9.8	11.9	8.6	4.3
Basic Metals	7.0	5.6	2.8	2.4	1.2	0.8	3.3
Electrical & Electronic Products	7.2	4.9	3.0	8.9	9.4	7.2	8.0
Computers & Peripheral Equipment	15.7	13.1	10.3	10.0	17.5	14.3	7.6
Machinery & Equipment	2.1	0.4	2.7	7.0	8.3	4.0	8.4
Motor Vehicles, Trailers & Semi-Trailers	7.7	(14.9)	(3.4)	(10.9)	(6.9)	(17.3)	(9.0)
Electricity	**4.5**	**2.0**	**1.9**	**3.9**	**3.5**	**(0.2)**	**(2.8)**

Source: Macrobond, MIDFR

Output for both export- and domestic-oriented rose faster. IPI for export-oriented recorded stronger growth of +5.8%yoy in Feb-25 (Jan-25: +5.6%yoy), while IPI for the domestic-oriented industries picked up to +2.9%yoy (Jan-25: +0.2%yoy). 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. For the export market, output of computers and E&E products improved during the month, as well as for other products such as oil & fats, furniture, rubber and wood products. On the contrary, refined petroleum output fell further, in line with weak external demand, and production of textiles fell for the second month in a row. Looking at the domestic-oriented sectors, output grew for all sectors except for motor vehicles and transport equipment. IPI for the construction sector accelerated to +4.3%yoy (Jan-25: +2.3%yoy) backed by stronger output of iron & steel, minerals and metal products. Meanwhile, output of consumer products rebounded to +2.0%yoy (Jan-25: -1.3%yoy) with higher production of F&B products, tobacco and paper products. We believe the continued progress in construction and increased domestic spending will continue to support production of construction materials and consumer products.

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

	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24	Jan-25	Feb-25
IPI: Export-Oriented Industries	**6.3**	**3.4**	**3.3**	**5.6**	**6.8**	**5.6**	**5.8**
Computer, Electronic and Optical Products	8.7	5.9	2.9	8.8	10.1	7.9	8.4
Electrical Equipment	1.2	0.6	4.3	1.1	4.6	5.1	5.3
Chemicals and Chemical Products	3.2	2.8	0.4	1.6	3.3	2.7	5.8
Coke and Refined Petroleum Products	(1.5)	(2.8)	(1.0)	2.8	3.0	3.4	(0.8)
Vegetable & animal oils & fats	22.6	3.0	12.7	3.6	5.3	8.9	17.6
Textiles	5.7	(2.3)	(0.3)	0.6	2.1	(3.4)	(3.5)

Wearing Apparel	4.6	2.6	1.6	(3.7)	(1.9)	0.8	5.1
Wood and Wood Products	4.8	6.1	3.7	4.3	6.2	3.2	3.6
Furniture	7.3	5.2	4.6	2.5	3.3	(0.1)	4.3
Rubber Products	11.1	8.6	10.9	9.8	11.9	8.6	4.3

Source: DOSM, MIDFR

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

	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24	Jan-25	Feb-25
IPI: Domestic-Oriented Industries	**7.1**	**2.7**	**3.3**	**2.6**	**3.7**	**0.2**	**2.9**
Construction (CO)	9.1	7.7	5.1	3.6	4.0	2.7	4.3
CO: Non-Metallic Mineral	9.3	6.6	5.2	2.9	3.5	1.1	2.3
CO: Iron and Steel	7.0	5.6	2.8	2.4	1.2	0.8	3.4
CO: Fabricated Metal	10.3	9.9	6.5	4.9	6.0	4.8	6.4
Consumer (CS)	6.1	(0.2)	2.1	2.0	3.6	(1.3)	2.0
CS: Food Products	4.4	3.5	4.5	5.6	8.5	7.0	8.6
CS: Motor Vehicles, Trailers and Semi-Trailers	7.7	(14.9)	(3.4)	(8.2)	(6.9)	(17.3)	(9.0)
CS: Other Transport Equipment	2.1	1.7	0.9	0.8	0.6	(3.3)	(2.0)
CS: Beverages	7.4	7.1	4.8	9.8	11.8	5.0	6.2
CS: Tobacco Products	15.3	10.4	8.4	5.2	7.5	1.6	1.4
CS: Paper and Paper Products	5.1	(0.5)	(1.0)	2.9	2.2	(1.7)	1.2
CS: Others	3.4	1.9	0.7	1.8	3.6	6.5	3.4

Source: DOSM, MIDFR

Sales of manufactured goods picked up in Feb-25. As expected, sales of manufactured goods grew faster at +4.7%yoy in Feb-25 (Jan-25: +3.5%yoy), expanding for the 14th straight month. Similar to exports, manufacturing sales growth was underpinned by higher demand for products such as chemicals, rubber gloves, computer & peripheral equipment and E&E components. On the other hand, sales of motor vehicles, consumer electronics, consumer electronics and refined petroleum products. On a month-to-month basis, manufacturing sales grew further by +1.2% (Jan-25: +4.3%mom), based on the seasonally adjusted data. However, unadjusted data shows a weaker sales performance, falling sharper at -3.2%mom (Jan-25: -0.2%) due to weaker sales of refined petroleum products, motor vehicles, rubber gloves and chemical products. However, sales of E&E components and computers & peripheral equipment improved in Feb-25 from the previous month. We anticipate a further rise in demand for export-related products such as E&E components and computers, although we are concerned with higher tariffs and the risk of elevated inflation could hurt spending plans. Firms may take the opportunity to boost sales as the high reciprocal tariffs have been temporarily halted. In particular, we expect weak sales for refined petroleum products to continue as the value of sales may be impacted by lower crude oil prices.

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

	MoM%			YoY%		
	Dec-24	Jan-25	Feb-25	Dec-24	Jan-25	Feb-25
Manufacturing Sales	**(2.2)**	**(0.2)**	**(3.2)**	**5.7**	**3.5**	**4.7**
Seasonally adjusted month-on-month change (%)	*(1.0)*	*4.3*	*1.2*	-	-	-
Refined Petroleum Products	(14.8)	10.9	(15.1)	(2.4)	(2.1)	(6.2)
Chemicals and Chemical Products	2.5	9.0	(6.7)	1.7	1.0	3.7
Rubber Gloves	(2.8)	8.4	(8.5)	13.0	12.8	12.0
Iron & Steel Products	(5.2)	(2.1)	4.5	(0.3)	0.5	(0.3)
Diodes, Transistor & Electronic Integrated Circuits Mic	0.3	(10.4)	15.8	7.8	7.5	8.7
Electrical Capacitor Resistor, Circuit Board & Display Comp	(11.4)	2.3	14.8	3.5	7.5	4.8
Computers & Peripherals Equipment	14.2	9.5	6.6	18.7	14.1	8.7
Consumer Electronics	(6.5)	(17.7)	11.2	(1.1)	(14.6)	(7.4)

Motor Vehicles	0.1	(12.5)	(9.6)	(19.6)	(30.7)	(24.0)

Source: Macrobond, DOSM, MIDFR

Another month of mixed IPI performance. IPI growth was mixed in Feb-25 based on the growth recorded in different countries, although further rise in global manufacturing PMI to 50.6 (Jan-25: 50.1) pointed to a relatively stronger expansion in global manufacturing activities. In the US, IPI growth was sustained at +1.4%yoy, growing for the third month as firms seen boosting production ahead of the tightening of trade policy. The growth was underpinned by increased production of manufactured goods and utilities. In Japan, IPI growth moderated to +0.3%yoy (Jan-25: +2.2%yoy), with sequential increases in production of electronic parts, production machinery and chemicals. Among East Asian economies, South Korea and Taiwan recorded stronger IPI growth of +7.0%yoy and 17.9%yoy, respectively, while in contrast IPI contracted in several regional countries, namely the Philippines, Thailand and Singapore. We expect a short-term pick up in manufacturing output as the global manufacturing PMI remained slightly above 50 although the index fell slightly to 50.3, indicating slower expansion. However, further weakness in IPI will likely be affected by heightened uncertainties as producers closely observe policy changes on the back of growing trade and geopolitical tensions which will affect final demand as well as production and investment plans.

Table 6: IPI for Selected Economies (YoY%)

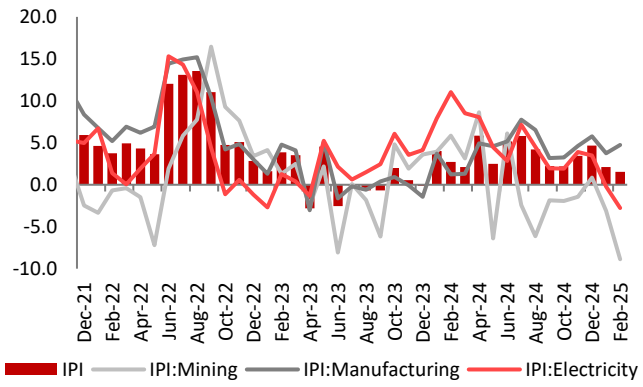
	Jul-24	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24	Jan-25	Feb-25
Malaysia	5.8	4.2	2.2	2.2	3.4	4.6	2.1	1.5
Philippines	7.1	0.5	(7.1)	(1.0)	(3.8)	0.2	3.0	(1.6)
Thailand	2.0	(1.2)	(3.0)	(0.1)	(3.3)	(1.8)	(1.1)	(3.9)
Singapore	3.0	22.7	9.2	1.3	10.8	5.9	8.0	(1.3)
S. Korea	5.2	3.9	(1.5)	6.4	(0.3)	4.4	(4.7)	7.0
Taiwan	13.0	12.7	11.7	8.8	10.4	19.8	4.9	17.9
India	5.0	0.0	3.2	3.7	5.0	3.5	5.0	n.a.
Japan	2.6	(4.9)	(3.2)	0.8	(3.3)	(2.2)	2.2	0.3
Euro area	(2.3)	(0.6)	(2.2)	(1.1)	(2.0)	(1.5)	0.0	n.a.
USA	(0.5)	(0.1)	(0.7)	(0.3)	(0.8)	0.5	1.9	1.4

*n.a.: not available

Source: Macrobond, MIDFR

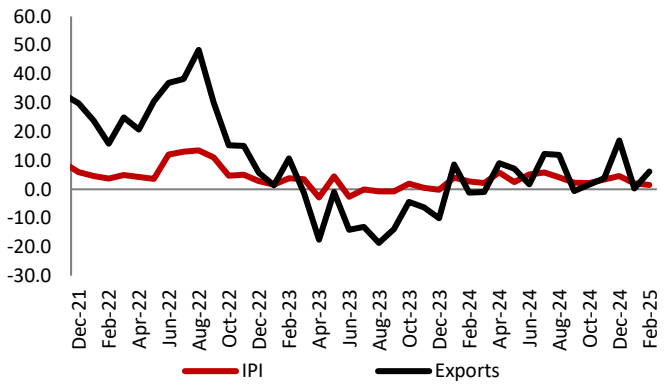
IPI growth to experience sharper moderation to +2.0% in 2025. Following our downward revision to manufacturing and mining sector outlook, we now forecast Malaysia's IPI to experience a more moderate growth of +2.0% this year (2024: +3.8%). This downward revision takes into account our anticipation that external trade will be impacted by the intensified trade war following the introduction of protections trade policies by major economies. Nevertheless, positive IPI growth will be supported by firms rising production to cope with growing domestic demand.

Chart 1: IPI Performance by Sector (YoY%)



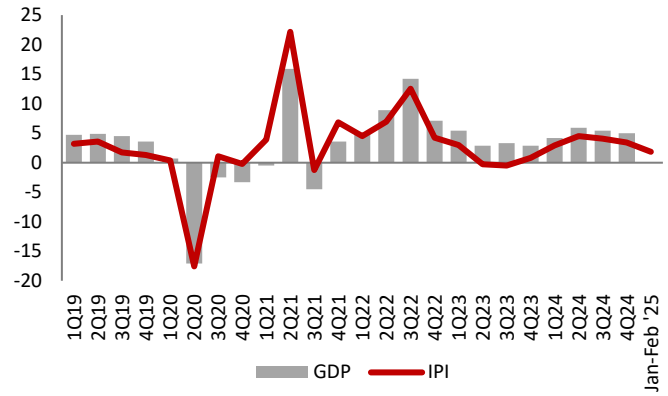
Source: Macrobond, MIDFR

Chart 2: IPI vs Exports (YoY%)



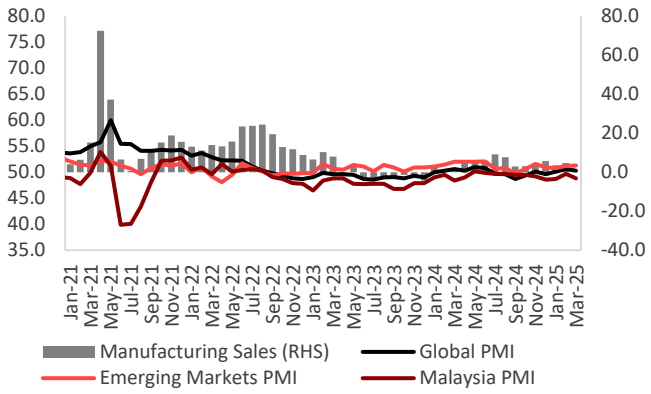
Source: Macrobond, MIDFR

Chart 3: IPI vs GDP (YoY%)



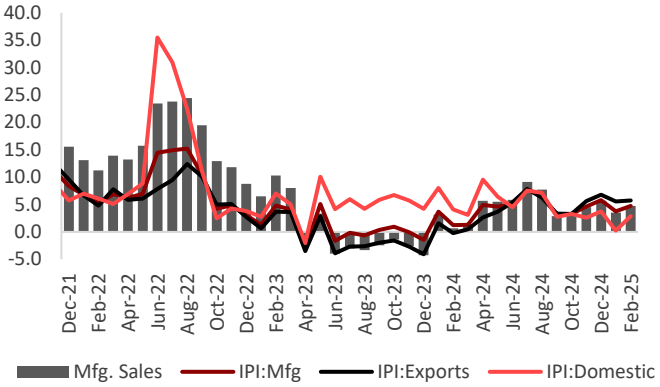
Source: Macrobond, MIDFR

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



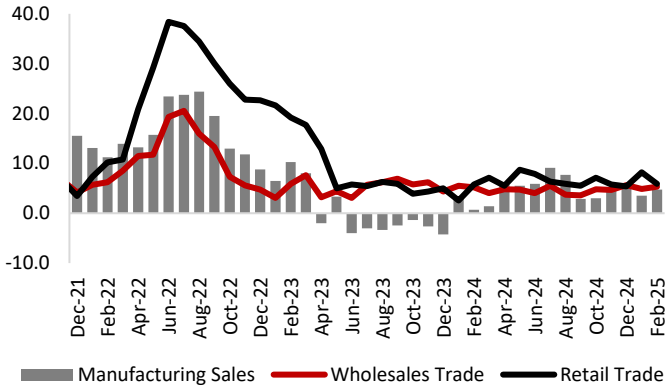
Source: Macrobond, MIDFR

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



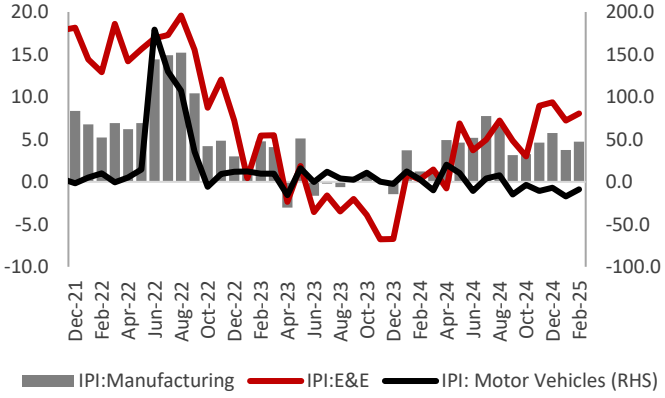
Source: Macrobond, MIDFR

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



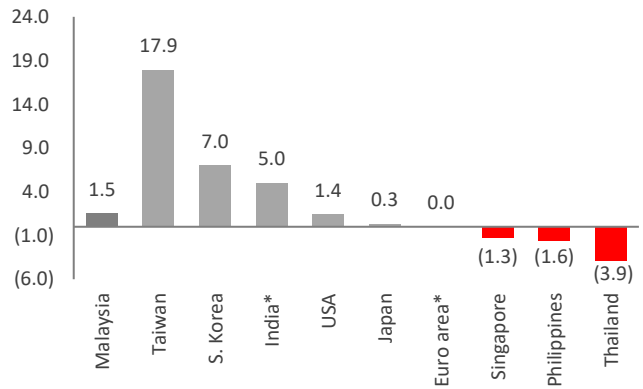
Source: Macrobond, MIDFR

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



Source: Macrobond, MIDFR

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



* refers to the latest available data for Jan-25
Source: Macrobond, MIDFR

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