IPI Grew Faster Backed by Higher Mining and Manufacturing Output

ECONOMIC REVIEW:
Mar-25 Industrial Production

Economic Review



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- IPI growth picked up similar to our estimate. Malaysia's IPI expanded stronger at +3.2%yoy in Mar-25 (Feb-25: +2.1%yoy), similar to our estimate but higher than market consensus of +2.1%yoy. Mining output rebounded to +1.9%yoy, while manufacturing production continued to grow albeit at slower pace of +4.0%yoy.
- Sales of manufactured goods eased in Mar-25. Sales of manufactured rose at slower pace of +3.7%yoy in Mar-25 (Feb-25: +4.7%yoy), but still expanding for the 15th straight month, underpinned by higher sales of computer & peripheral equipment, E&E products, rubber gloves and even rebounds in consumer electronics and iron & steel products.
- IPI growth to moderate to +2.0% in 2025. We maintain our forecast for IPI growth to moderate to +2.0% this year this year (2024: +3.8%). We growth in external demand to slow and will affect production of export-oriented products, particularly manufactured goods.

IPI growth picked up similar to our estimate. Malaysia's IPI expanded stronger at +3.2%yoy in Mar-25 (Feb-25: +2.1%yoy), similar to our estimate but higher than market consensus of +2.1%yoy. IPI remained on expansionary for the 13th straight month since Jan-24. We expected a pick-up in IPI growth mainly because of the slight strengthening in export growth in Mar-25. The stronger IPI growth was underpinned by a rebound in mining output (+1.9%; Feb-25: -8.9%yoy) following a turnaround in production of both crude petroleum and natural gas. Meanwhile, the manufacturing sector also recorded a sustained output growth, albeit moderating to +4.0%yoy (Feb-25: +4.8%yoy), driven by higher output of among others E&E products, machinery & equipment, chemicals & chemical products and food products. Increases in mining and manufacturing output more than offset the sharper fall in electricity output, which fell by -3.5%yoy (Feb-25: -2.8%yoy). We anticipate IPI to continue expanding this year as firms increased production to fulfill growing domestic demand. However, slower external demand will likely result in more moderate IPI growth this year.

Table 1: Malaysia – Summary of Industrial Production Index

	MoM%*				YoY%			
	Dec-24	Jan-25	Feb-25	Mar-25	Dec-24	Jan-25	Feb-25	Mar-25
IPI	0.3	0.2	(0.3)	1.7	4.6	2.1	1.5	3.2
Mining	1.9	(2.9)	(5.1)	10.6	0.9	(3.1)	(8.9)	1.9
Manufacturing	0.0	1.2	0.7	(0.1)	5.8	3.7	4.8	4.0
Electricity	(0.2)	(1.4)	1.0	(1.6)	3.5	(0.2)	(2.8)	(3.5)

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

IPI rebounded from contraction in Feb-25. On month-on-month basis, Malaysia's industrial production rebounded and grew by +1.7%mom (Jan-25: -0.3%mom). This was led mainly by the strong rebound in mining output, which surged +10.6%mom after 2 months of contraction, due to increased output of crude oil and natural gas. The pick-up more than offset the small monthly decline of -0.1%mom in manufacturing output and +1.6%mom contraction in electricity generation. Weaker manufacturing output is more or less in line with the weaker manufacturing PMI reading which dropped to 48.8 in Mar-25 (Feb-25: 49.7). Despite the 90-day

pause in the US implementation of reciprocal tariffs, we anticipate weaker new orders will continue to affect production in the export-oriented industries. There could be temporary support from firms' proactive move to frontload shipments and deliveries, but the outlook for foreign demand may be adversely impacted by softer final demand and weaker global manufacturing activities.

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

	Sep-24	Oct-24	Nov-24	Dec-24	Jan-25	Feb-25	Mar-25
IPI	**2.2**	**2.2**	**3.4**	**4.6**	**2.1**	**1.5**	**3.2**
Mining	**(1.8)**	**(1.9)**	**(1.4)**	**0.9**	**(3.1)**	**(8.9)**	**1.9**
Crude Petroleum	(11.7)	(7.8)	(5.5)	(6.5)	(10.0)	(6.7)	2.2
Natural Gas	5.4	2.1	1.3	5.9	1.4	(10.3)	1.8
Manufacturing	**3.2**	**3.3**	**4.6**	**5.8**	**3.7**	**4.8**	**4.0**
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	**2.0**	**1.9**	**3.9**	**3.5**	**(0.2)**	**(2.8)**	**(3.5)**

Source: Macrobond, MIDFR

Export- and domestic-oriented sectors both contributed to moderation in manufacturing output. The moderation in manufacturing output growth was underpinned by slower production growth in both export- and domestic-oriented sectors. IPI for the export-oriented industries slowed to +4.8%yoy (Feb-25: +5.7%yoy) weighed down by weaker production of refined petroleum and textiles, in addition to moderation in output growth for selected sectors such as electrical equipment, chemicals & chemical products, oils & fats, furniture, wearing apparels and even wood & wood products. Meanwhile, IPI growth for domestic-oriented sectors also moderated in Mar-25 due to slower growth in output of consumer and construction goods. For the consumer market, the drag mainly stemmed from continued weakness in production of motor vehicles and transport equipment, and reduced output of tobacco & paper products. In contrast, beverages recorded sustained output growth while output of food products expanded further albeit at relatively slower pace. For the construction goods, fabricated metal production grew at a slower pace, while iron & steel and non-metallic minerals registered stronger output growth during the month. We foresee a heightened risk that the intensified trade war could cause external demand to slow and will affect production of export-oriented products. However, rising domestic spending and progress in construction projects will drive output growth for consumer products and construction materials.

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

	Sep-24	Oct-24	Nov-24	Dec-24	Jan-25	Feb-25	Mar-25
IPI: Export-Oriented Industries	**3.4**	**3.3**	**5.8**	**6.8**	**5.6**	**5.7**	**4.8**
Computer, Electronic and Optical Products	5.9	2.9	10.2	10.1	7.9	8.4	9.0
Electrical Equipment	0.6	4.3	1.1	4.6	5.1	5.4	2.9
Chemicals and Chemical Products	2.8	0.4	1.6	3.3	2.7	5.7	4.9
Coke and Refined Petroleum Products	(2.8)	(1.0)	1.1	3.0	3.4	(0.8)	(2.6)
Vegetable & animal oils & fats	3.0	12.7	3.6	5.3	8.9	17.7	10.6
Textiles	(2.3)	(0.3)	0.6	2.1	(3.4)	(3.5)	(3.1)
Wearing Apparel	2.6	1.6	(3.7)	(1.9)	0.8	5.1	3.4
Wood and Wood Products	6.1	3.7	4.3	6.2	3.2	3.6	2.5
Furniture	5.2	4.6	2.5	3.3	(0.1)	4.3	4.0
Rubber Products	8.6	10.9	9.8	11.9	8.6	4.3	4.2

Source: DOSM, MIDFR

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

	Sep-24	Oct-24	Nov-24	Dec-24	Jan-25	Feb-25	Mar-25
IPI: Domestic-Oriented Industries	**2.7**	**3.3**	**2.2**	**3.7**	**0.2**	**2.9**	**2.3**
Construction (CO)	7.7	5.1	3.6	4.0	2.7	4.3	4.0
CO: Non Metallic Mineral	6.6	5.2	2.9	3.5	1.1	2.3	3.7
CO: Iron and Steel	5.6	2.8	2.4	1.2	0.8	3.3	3.8
CO: Fabricated Metal	9.9	6.5	4.9	6.0	4.8	6.4	4.2
Consumer (CS)	(0.2)	2.1	1.4	3.6	(1.3)	2.0	1.3
CS: Food Products	3.5	4.5	5.6	8.5	7.0	8.6	7.8
CS: Motor Vehicles, Trailers and Semi-Trailers	(14.9)	(3.4)	(10.9)	(6.9)	(17.3)	(9.0)	(10.8)
CS: Other Transport Equipment	1.7	0.9	0.8	0.6	(3.3)	(2.0)	(1.1)
CS: Beverages	7.1	4.8	9.8	11.8	5.0	6.2	6.3
CS: Tobacco Products	10.4	8.4	5.2	7.5	1.6	1.4	(2.0)
CS: Paper and Paper Products	(0.5)	(1.0)	2.9	2.2	(1.7)	1.2	(0.3)
CS: Others	1.9	0.7	1.8	3.6	6.5	3.4	3.1

Source: DOSM, MIDFR

Sales of manufactured goods rose on Mar-25. In line with the slower rise in manufacturing output, sales of manufactured also rose at slower pace of +3.7%yoy in Mar-25 (Feb-25: +4.7%yoy), though still expanding for the 15th straight month. The monthly sales value reached a new high of RM164.3b. The year-on-year sales growth was underpinned by higher sales of computer & peripheral equipment, E&E products, rubber gloves and even rebounds in consumer electronics and iron & steel products. Although sales rebounded +7.3%mom from the previous month, the sales performance was -0.1%mom weaker than Feb-25 after adjusting to seasonal changes. The sectors which recorded lower month-on-month sales were computer & peripheral equipment and motor vehicles. However, other products such as refined petroleum products, chemicals & chemical products and rubber gloves rebounded from the contraction in Feb-25. Rubber gloves in particular jumped +40.8%mom after the -8.5%mom decline in Feb-25. Meanwhile, sales of E&E components and consumer electronics continued to record double-digit monthly increases, in line with the stronger E&E exports.

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

	MoM%			YoY%		
	Jan-25	Feb-25	Mar-25	Jan-25	Feb-25	Mar-25
Manufacturing Sales	**(0.2)**	**(3.1)**	**7.3**	**3.5**	**4.7**	**3.7**
Seasonally-adjusted month-on-month change (%)	*4.3*	*1.2*	*(0.1)*	-	-	-
Refined Petroleum Products	10.9	(15.6)	3.1	(2.1)	(6.7)	(9.4)
Chemicals and Chemical Products	9.0	(6.7)	4.3	1.0	3.7	2.6
Rubber Gloves	8.4	(8.5)	40.8	13.0	12.8	12.0
Iron & Steel Products	(2.1)	4.5	7.4	0.5	(0.3)	1.1
Diodes, Transistor & Electronic Integrated Circuits Mic	(10.4)	16.4	24.2	7.5	9.3	8.4
Electrical Capacitor Resistor, Circuit Board & Display Comp	2.3	15.8	12.2	7.5	5.7	6.0
Computers & Peripherals Equipment	9.5	6.6	(0.7)	14.1	8.7	10.3
Consumer Electronics	(17.7)	11.2	25.1	(14.6)	(7.4)	6.3
Motor Vehicles	(12.5)	(7.3)	(5.1)	(30.7)	(22.2)	(22.8)

Source: Macrobond, DOSM, MIDFR

Global production improved in Mar-25. IPI growth for other economies mostly showed an improvement in Mar-25, despite the global manufacturing PMI indicated a slower expansion in factories as the index fell slightly to 50.3 (Feb-25: 50.6). In the US, IPI growth was sustained at +1.3%yoy, growing for the 4th straight month partly driven by higher production ahead of the further hikes in import tariffs. Increased production was recorded across major sectors i.e. manufacturing, mining and utilities. In Japan, however, IPI declined again by -0.3%yoy after 2 months of expansion, dragged down by weak production of motor vehicles and machineries. In contrast, Asian economies such as Singapore and India recorded stronger IPI growth in Mar-25, while South Korea

and Taiwan reported a sustained albeit relatively slower IPI growth in the same month. Taiwan's IPI growth remained in double-digit growth in line with the robust double-digit rise in exports. The Philippines also reported improvement in IPI growth, which rebounded to +0.4%yoy (Feb-25: -0.6%yoy) following increased production of manufactured goods especially food products. We remain cautious that the production outlook in the coming months may not be as encouraging as in the early part of the year. Further decline in the global manufacturing PMI to 49.8 in Apr-25 also suggests demand outlook could soften further as manufacturers reported slower new orders amid heightened concerns about the impact of higher tariffs on production costs and final demand.

Table 6: IPI for Selected Economies (YoY%)

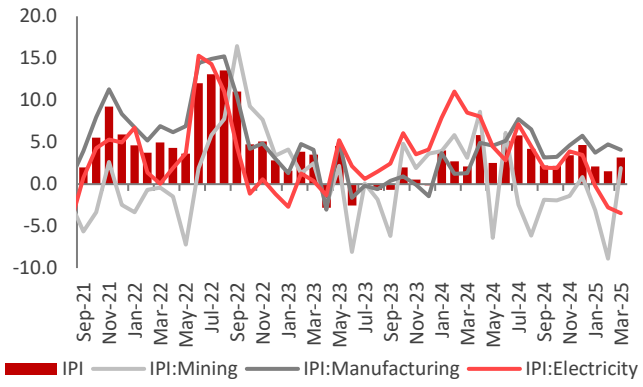
	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24	Jan-25	Feb-25	Mar-25
Malaysia	4.2	2.2	2.2	3.4	4.6	2.1	1.5	3.2
Philippines	0.5	(7.1)	(1.0)	(3.8)	0.2	3.0	(0.6)	0.4
Thailand	(1.2)	(3.0)	(0.1)	(3.3)	(1.8)	(1.1)	(3.9)	(0.7)
Singapore	22.7	9.2	1.2	10.8	5.9	5.1	0.9	5.8
S. Korea	3.9	(1.5)	6.4	(0.3)	4.4	(5.0)	7.1	5.3
Taiwan	12.7	11.7	8.8	10.4	19.8	4.9	18.2	13.6
India	0.0	3.2	3.7	5.0	3.5	5.2	2.7	3.0
Japan	(4.9)	(3.2)	0.8	(3.3)	(2.2)	2.2	0.1	(0.3)
Euro area	(0.6)	(2.2)	(1.1)	(2.0)	(1.8)	(0.5)	1.2	n.a.
USA	(0.1)	(0.7)	(0.4)	(0.9)	0.5	1.8	1.5	1.3

*n.a.: not available
Source: Macrobond, MIDFR

IPI pointed to moderate GDP growth. The moderation in IPI growth to +2.3%yoy in 1QCY25 (4QCY24: +3.4%yoy) signals that growth momentum has eased in 1QCY25 as shown by the advance GDP estimate. In particular, the manufacturing IPI moderated to +4.2%yoy (4QCY24: +4.5%yoy), similar pace as reported in the advance GDP estimate. Meanwhile, the decline in mining output was relatively slower at -0.8%yoy (4QCY24: -3.5%yoy), taking into account the production rebound in Mar-25. We could expect a marginal upward revision to the mining sector growth, estimated to have contracted by -0.9%yoy in 1QCY25. The weaker electricity generation, which fell by -1.9%yoy (4QCY24: +3.1yoy), also supports the marginally slower expansion in the services sector. Subject to the update for wholesale and retail trade as well as other services sub-sectors, the easing growth in the sector also contributed to the moderation in overall GDP growth in 1QCY25.

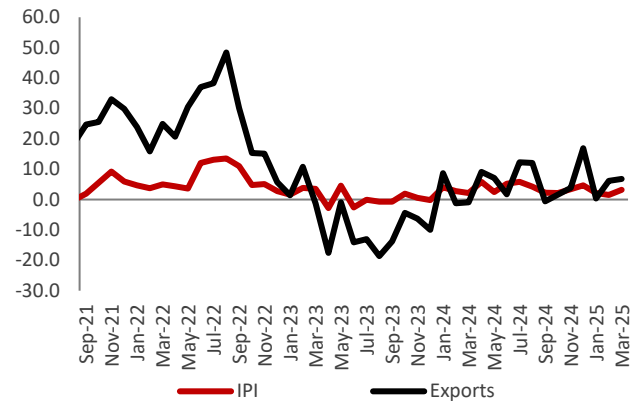
IPI growth to moderate to +2.0% in 2025. We maintain our forecast for IPI growth to moderate to +2.0% this year (2024: +3.8%). We foresee growth in external demand to slow and will affect the production of export-oriented products, particularly manufactured goods. Nevertheless, the outlook may be supported by any positive results from the trade negotiations which could ease concerns that have intensified due to the growing trade tensions. We also maintain positive IPI growth as we expect production will continue to grow on the back of rising domestic demand.

Chart 1: IPI Performance by Sector (YoY%)



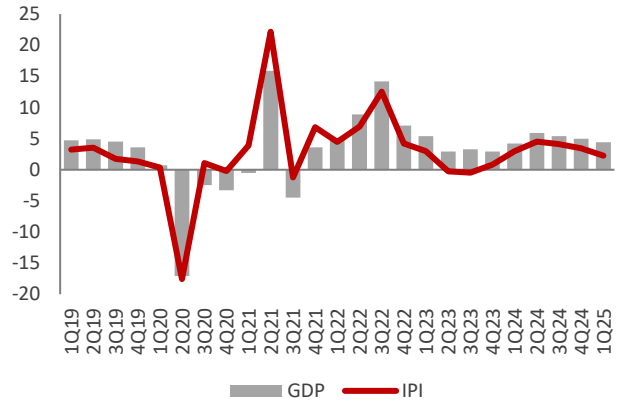
Source: Macrobond, MIDFR

Chart 2: IPI vs Exports (YoY%)



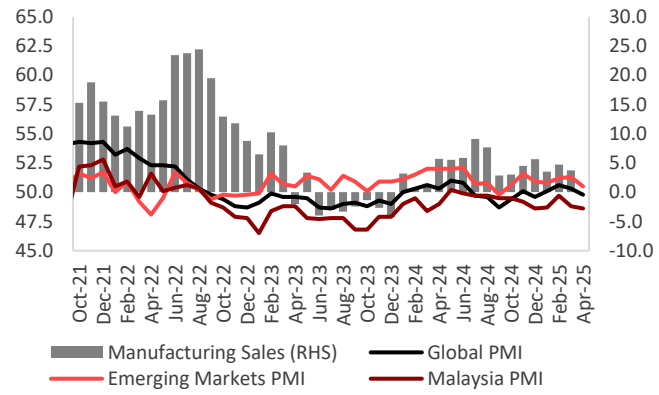
Source: Macrobond, MIDFR

Chart 3: IPI vs GDP (YoY%)



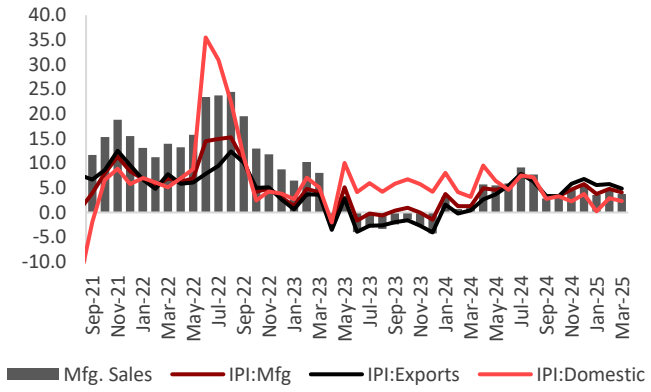
Source: Macrobond, MIDFR

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



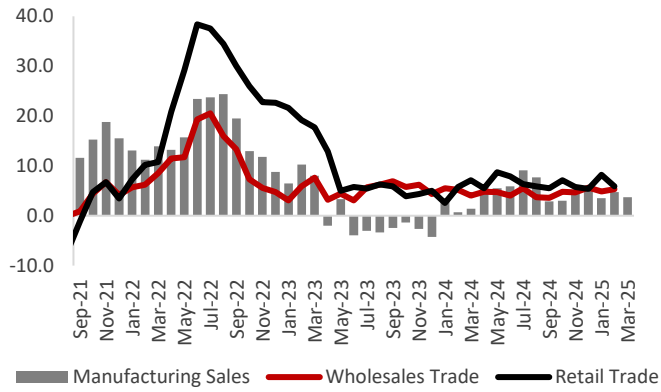
Source: Macrobond, MIDFR

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



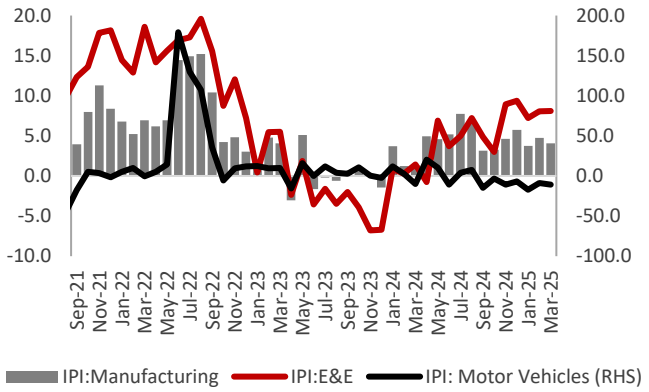
Source: Macrobond, MIDFR

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



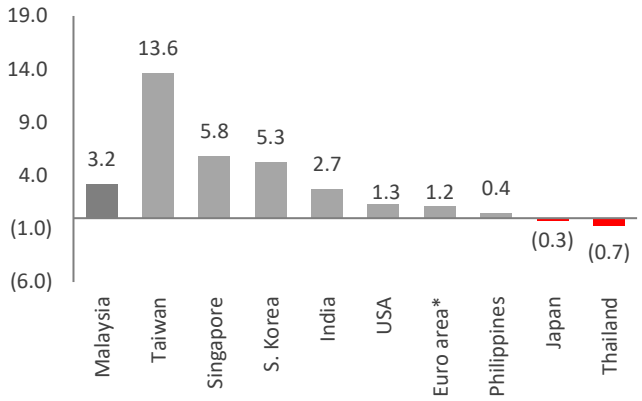
Source: Macrobond, MIDFR

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



Source: Macrobond, MIDFR

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



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

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