IPI Rose Modestly by +0.3%yoy in May-25 with Slower Rise in Factory Output

ECONOMIC REVIEW:
May-25 Industrial Production

Economic Review



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- IPI growth slowed to +0.3%yoy in May-25. Malaysia's IPI expanded at softer pace of +0.3%yoy in May-25 (Apr-25: +2.7%yoy), attributable to slower growth in manufacturing output and continued weakness in the mining sector production.
- Manufactured goods sales moderated to +2.4%yoy in May-25. In line with the weaker export performance, sales of manufactured goods rose at slower pace of +2.4%yoy in May-25 (Apr-25: +4.7%yoy). Nevertheless, the sustained growth was supported by stronger sales of computer & peripherals and consumer electronics.
- IPI growth to moderate to +2.0% in 2025. We maintain our projection that Malaysia's IPI growth will moderate to +2.0% this year (2024: +3.7%). Continued uncertainties on the external front, particularly from the impact of higher tariffs on final demand, could cause companies in the export-oriented sectors to slow down production.

IPI growth slowed to +0.3%yoy in May-25. Malaysia's IPI expanded at softer pace of +0.3%yoy in May-25 (Apr-25: +2.7%yoy), below our estimate (+2.5%yoy) and market consensus (+1.8%yoy). In line with weaker export performance which fell by -1.1%yoy (Apr-25: +16.4%yoy), the moderation in May-25 IPI growth was attributable to slower manufacturing output growth (+2.8%yoy; Apr-25: +5.6%yoy), reflecting moderate growth in E&E production as well as continued weakness in output of refined petroleum products and motor vehicles. The mining output also fell sharper by -10.2%yoy (Apr-25: -6.3%yoy) mainly due to steeper fall in production of crude petroleum and natural gas. Electricity generation, on the other hand, rebounded to +0.4%yoy, marking the first annual growth after 4 months of contraction. Despite ongoing concerns and uncertainties about the impact of higher tariffs, the sustained growth in manufacturing output indicated limited impact on Malaysia's industrial production thus far. To a certain extent, the continued growth in production and exports of E&E products suggests Malaysia benefited from the front-loading activities. We remain cautious that the external slowdown could affect domestic production activity, but at least firms also increased production to fulfill growing demand and consumption in the domestic economy.

Table 1: Malaysia – Summary of Industrial Production Index

	MoM%*				YoY%			
	Feb-25	Mar-25	Apr-25	May-25	Feb-25	Mar-25	Apr-25	May-25
IPI	(0.3)	1.8	(0.2)	(1.3)	1.5	3.2	2.7	0.3
Mining	(5.1)	10.6	(6.8)	(14.3)	(8.9)	1.9	(6.3)	(10.2)
Manufacturing	0.7	(0.1)	1.5	1.0	4.8	4.0	5.6	2.8
Electricity	1.0	(1.1)	(0.1)	3.6	(2.8)	(2.2)	(1.6)	0.4

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

IPI fell sharper monthly. Based on the seasonally adjusted data, Malaysia's industrial production fell sharper by -1.3%mom from the previous month (Apr-25: -0.2%mom) mainly due to steeper decline in mining production (-14.3%mom; Apr-25: -6.8%mom) as a result of reduced output of crude petroleum and natural gas. On the other hand, electricity generation rebounded to +3.6%mom (Apr-25: -0.1%mom), while manufacturing production grew further by +1.0%mom (Apr-25: +1.5%mom). We expect manufacturing output to continue growing as the S&P Global manufacturing PMI improved further to 49.3 in Jun-25 (May-25: 48.8), as companies reported the output and slower fall in new orders. In other words, we expect IPI growth could pick up as the improvement in manufacturing output reflected the continued (temporary) boost to external trade. Sentiment in the financial markets also suggests market expectations start to shift beyond the tariff-related uncertainties. On another note, the weakness in mining production could pose continued drag to the overall IPI outlook in the coming months.

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

	Nov-24	Dec-24	Jan-25	Feb-25	Mar-25	Apr-25	May-25
IPI	**3.4**	**4.6**	**2.1**	**1.5**	**3.2**	**2.7**	**0.3**
Mining	**(1.4)**	**0.9**	**(3.1)**	**(8.9)**	**1.9**	**(6.3)**	**(10.2)**
Crude Petroleum	(5.5)	(6.5)	(10.0)	(6.7)	2.2	(0.7)	(1.6)
Natural Gas	1.3	5.9	1.4	(10.3)	1.8	(10.0)	(16.6)
Manufacturing	**4.6**	**5.8**	**3.7**	**4.8**	**4.0**	**5.6**	**2.8**
Food Products	4.8	7.3	7.6	11.6	8.8	13.2	12.4
Refined Petroleum Products	1.1	3.0	3.4	(0.8)	(2.6)	(3.9)	(4.8)
Chemicals & Chemicals Products	1.6	3.3	2.7	5.7	4.9	4.7	(1.1)
Rubber Products	9.8	11.9	8.6	4.3	4.2	2.9	(1.1)
Basic Metals	2.4	1.2	0.8	3.3	3.8	6.0	4.5
Electrical & Electronic Products	8.9	9.4	7.2	8.0	8.1	9.9	5.6
Computers & Peripheral Equipment	10.0	17.5	14.3	7.6	8.3	6.8	6.0
Machinery & Equipment	7.0	8.3	4.0	8.4	6.4	7.5	5.7
Motor Vehicles, Trailers & Semi-Trailers	(10.9)	(6.9)	(17.3)	(9.0)	(10.8)	(3.9)	(10.1)
Electricity	**3.9**	**3.5**	**(0.2)**	**(2.8)**	**(2.2)**	**(1.7)**	**0.4**

Source: Macrobond, MIDFR

Both export- and domestic-oriented sectors reported slower output growth. IPI growth for the export-oriented sector eased to +2.8%yoy in May-25 (Apr-25: +6.4%yoy), attributable to weaker production of chemical & chemical products, rubber products, textiles, and wearing apparels. Meanwhile, other manufacturing sub-sectors (such as computers and E&E, oils & fats and wood & wood products) also reported slower production growth. Furniture production, however, picked up to +5.8%yoy which is the fastest growth in 9 months. Looking at the domestic-oriented sectors, the moderation in production growth to +2.6%yoy (Apr-25: +3.9%yoy) was not as steep as in the export-oriented sectors. Nevertheless, production of construction-related materials slowed to +3.5%yoy (Apr-25: +5.2%yoy) but still underpinned by the continued growth in output of non-metallic minerals, iron & steel, and fabricated metal. Consumer-oriented sectors also reported slower IPI growth of +2.0%yoy (Apr-25: +3.2%yoy) as output contracted in several industries, namely motor vehicles, transport equipment, and tobacco & paper products. In contrast, the stronger output was recorded in the food products and beverages. While continued uncertainties and the effect of US tariff hikes may continue to constrain production in the export-oriented sectors, we expect that the growing domestic consumption and the encouraging progress in construction works will continue supporting the production of domestic-oriented products.

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

	Nov-24	Dec-24	Jan-25	Feb-25	Mar-25	Apr-25	May-25
IPI: Export-Oriented Industries	**5.8**	**6.8**	**5.6**	**5.7**	**4.8**	**6.4**	**2.8**
Computer, Electronic and Optical Products	10.2	10.1	7.9	8.4	9.0	11.1	6.0
Electrical Equipment	1.1	4.6	5.1	5.4	2.9	4.0	3.0
Chemicals and Chemical Products	1.6	3.3	2.7	5.7	4.9	4.7	(1.1)
Coke and Refined Petroleum Products	1.1	3.0	3.4	(0.8)	(2.6)	(4.0)	(4.7)
Vegetable & animal oils & fats	3.6	5.3	8.9	17.7	10.6	22.8	15.9
Textiles	0.6	2.1	(3.4)	(3.5)	(3.1)	(2.5)	(3.4)
Wearing Apparel	(3.7)	(1.9)	0.8	5.1	3.4	3.1	(1.2)
Wood and Wood Products	4.3	6.2	3.2	3.6	2.5	3.4	2.6
Furniture	2.5	3.3	(0.1)	4.3	4.0	5.2	5.8

Rubber Products	9.8	11.9	8.6	4.3	4.2	3.0	(1.1)

Source: DOSM, MIDFR

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

	Nov-24	Dec-24	Jan-25	Feb-25	Mar-25	Apr-25	May-25
IPI: Domestic-Oriented Industries	**2.2**	**3.7**	**0.2**	**2.9**	**2.3**	**3.9**	**2.6**
Construction (CO)	3.6	4.0	2.7	4.3	4.0	5.2	3.5
CO: Non-Metallic Mineral	2.9	3.5	1.1	2.3	3.7	4.6	2.4
CO: Iron and Steel	2.4	1.2	0.8	3.3	3.8	6.1	4.5
CO: Fabricated Metal	4.9	6.0	4.8	6.4	4.2	5.0	3.7
Consumer (CS)	1.4	3.6	(1.3)	2.0	1.3	3.2	2.0
CS: Food Products	5.6	8.5	7.0	8.6	7.8	8.2	10.3
CS: Motor Vehicles, Trailers and Semi-Trailers	(10.9)	(6.9)	(17.3)	(9.0)	(10.8)	(3.9)	(10.1)
CS: Other Transport Equipment	0.8	0.6	(3.3)	(2.0)	(1.1)	(1.1)	(0.3)
CS: Beverages	9.8	11.8	5.0	6.2	6.3	6.0	7.2
CS: Tobacco Products	5.2	7.5	1.6	1.4	(2.0)	(1.2)	(1.3)
CS: Paper and Paper Products	2.9	2.2	(1.7)	1.2	(0.3)	0.3	(2.4)
CS: Others	1.8	3.6	6.5	3.4	3.1	2.9	0.8

Source: DOSM, MIDFR

Manufactured goods sales moderated to +2.4%yoy in May-25. In line with the weaker export performance, sales of manufactured goods rose at a slower pace of +2.4%yoy in May-25 (Apr-25: +4.7%yoy). The sustained growth, for the 17th straight month, was supported by stronger sales of computer & peripherals and consumer electronics. However, the slowdown was attributable to the softer growth seen for E&E components, iron & steel products, and rubber gloves. Declines were recorded for petroleum products, motor vehicles and chemicals and chemical products. The value of sales dropped softer by -1.1%mom (Apr-25: -2.4%mom) to RM158.7b (Apr-25: RM160.4b) due to weaker sales of various products such as computers & peripherals, iron & steel, refined petroleum and chemical products. Nevertheless, there were month-to-month improvements such as a rebound in sales of E&E components, from the double-digit declines in the previous month, and stronger sales of consumer electronics. On a seasonally adjusted basis, the weaker sales were not too bad because sales rose further albeit slower at +0.5%mom (Apr-25: +0.8%mom) after removing the seasonal effects. We expect sales to continue expanding in the short term, supported by a temporary boost from the tariff pause ahead of the new tariff implementation beginning 1 August 2025.

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

	MoM%			YoY%		
	Mar-25	Apr-25	May-25	Mar-25	Apr-25	May-25
Manufacturing Sales	**7.3**	**(2.4)**	**(1.1)**	**3.7**	**4.7**	**2.4**
Seasonally adjusted month-on-month change (%)	*(0.1)*	*0.8*	*0.5*	-	-	-
Refined Petroleum Products	3.1	7.0	(7.9)	(9.4)	(8.6)	(9.9)
Chemicals and Chemical Products	4.3	(3.8)	(5.6)	2.6	1.7	(2.5)
Rubber Gloves	40.8	(3.0)	(8.1)	10.0	5.9	5.0
Iron & Steel Products	7.4	(5.7)	(14.4)	1.1	6.8	6.0
Diodes, Transistor & Electronic Integrated Circuits Mic	24.2	(24.5)	8.5	8.4	11.1	6.6
Electrical Capacitor Resistor, Circuit Board & Display Comp	12.2	(15.5)	1.1	6.0	10.1	3.1
Computers & Peripherals Equipment	(0.7)	34.3	(14.9)	10.3	9.7	10.5
Consumer Electronics	25.1	(14.6)	27.6	6.3	8.7	11.0
Motor Vehicles	(5.1)	5.5	(2.5)	(22.8)	(13.1)	(23.9)

Source: Macrobond, DOSM, MIDFR

Global production growth moderated in May-25. In line with the further decline in global manufacturing PMI to 49.6 in May-25 (Apr-25: 49.8), we noticed most countries reported slower IPI growth in May-25. In the US, IPI growth eased to +0.6%yoy (Apr-25: 1.4%yoy), but sustaining expansion for the 6th straight month backed by increased output of manufacturing and mining output. In Japan, IPI dropped -1.8%yoy (Apr-25: +0.5%yoy) compared to a year ago, despite sequential improvements in output of machinery

and motor vehicles. India also recorded more moderate IPI growth of +1.2%yoy in May-25 (Apr-25: +2.6%yoy), the slowest growth in 9 months, due to slower growth in manufacturing output and lower production of mining and electricity. Among regional countries, Singapore's IPI growth eased to +3.9%yoy (Apr-25: +5.6%yoy), while the Philippines reported sustained IPI growth of +4.5%yoy (Apr-25: +4.3%yoy). South Korea also saw its IPI growth slowed sharply to +0.2%yoy (Apr-25: +5.1%yoy) dragged down mainly by weaker mining and manufacturing output. Taiwan, on the other hand, continued to report double-digit IPI growth albeit moderate slightly to +22.6%yoy (Apr-25: +23.7%yoy), driven by strong manufacturing output on the back of booming AI demand and the front-loading of E&E shipments ahead of the higher tariff imposed by the US. We expect global production to continue stabilizing as the PMI index for global manufacturing activities bounced back to 50.3 in Jun-25, returning to expansionary after 2 months of contraction. Nevertheless, we expect businesses will continue to remain cautious on the strength of future demand given the continued uncertainties surrounding tariffs and the outcome of trade talks.

Table 6: IPI for Selected Economies (YoY%)

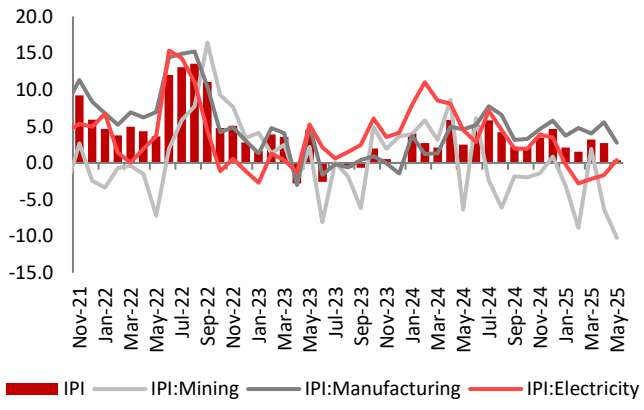
	Oct-24	Nov-24	Dec-24	Jan-25	Feb-25	Mar-25	Apr-25	May-25
Malaysia	2.2	3.4	4.6	2.1	1.5	3.2	2.7	0.3
Philippines	(1.6)	(4.1)	0.2	3.3	(0.7)	(0.0)	4.3	4.5
Thailand	(0.1)	(3.3)	(1.8)	(1.1)	(3.9)	0.0	1.9	1.9
Singapore	1.2	10.8	5.0	5.1	0.9	6.9	5.6	3.9
S. Korea	6.4	(0.3)	4.4	(5.0)	6.5	4.5	5.1	0.2
Taiwan	8.8	10.4	19.8	4.9	18.2	12.8	23.7	22.6
India	3.7	5.0	3.7	5.2	2.7	3.9	2.6	1.2
Japan	0.8	(3.3)	(2.2)	2.2	0.1	1.0	0.5	(1.8)
Euro area	(1.0)	(1.9)	(1.7)	(0.5)	0.8	3.7	0.8	n.a.
USA	(0.4)	(0.9)	0.4	1.4	1.2	1.2	1.4	0.6

*n.a.: not available

Source: Macrobond, MIDFR

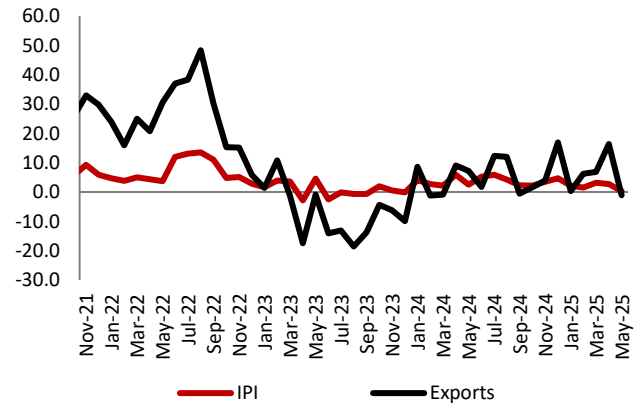
IPI growth to moderate to +2.0% in 2025. Following the moderation in overall IPI growth, we maintain our projection that Malaysia's IPI growth will moderate to +2.0% this year (2024: +3.7%). Continued uncertainties on the external front particularly from the impact of higher tariffs on final demand could cause companies in the export-oriented sectors to slow down production, in addition to the fading support from front-loading activities as the US is expected to begin imposing the reciprocal tariffs in Aug-25. Nevertheless, we expect IPI growth to remain expansionary, supported by increased output by industries with greater exposure to the domestic market. This will be backed by increased domestic consumption, on the back of healthy labour market and growing income.

Chart 1: IPI Performance by Sector (YoY%)



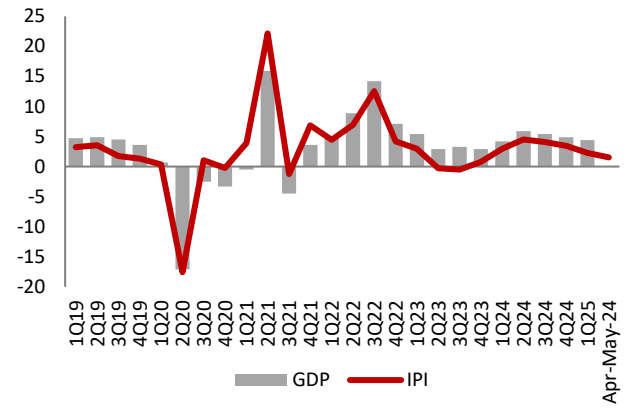
Source: Macrobond, MIDFR

Chart 2: IPI vs Exports (YoY%)



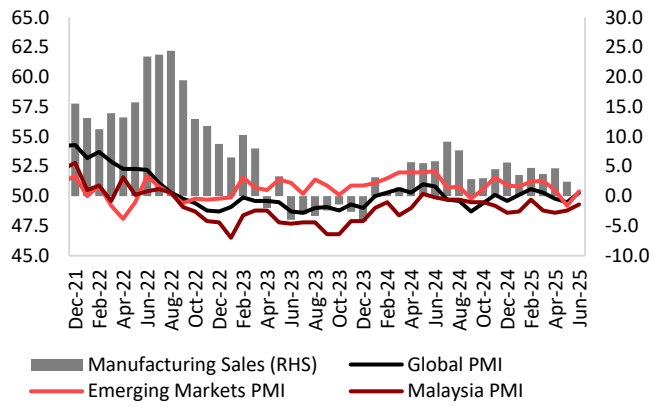
Source: Macrobond, MIDFR

Chart 3: IPI vs GDP (YoY%)



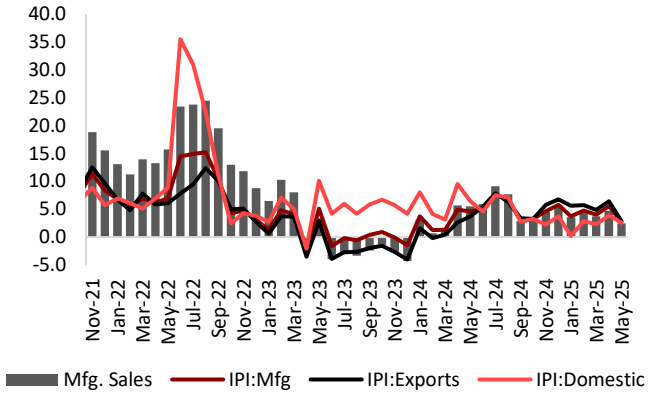
Source: Macrobond, MIDFR

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



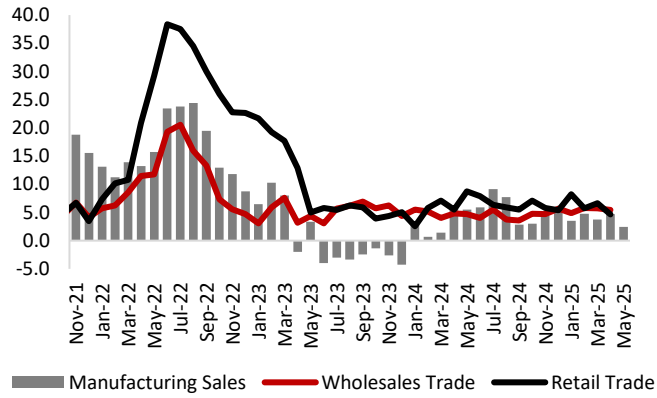
Source: Macrobond, MIDFR

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



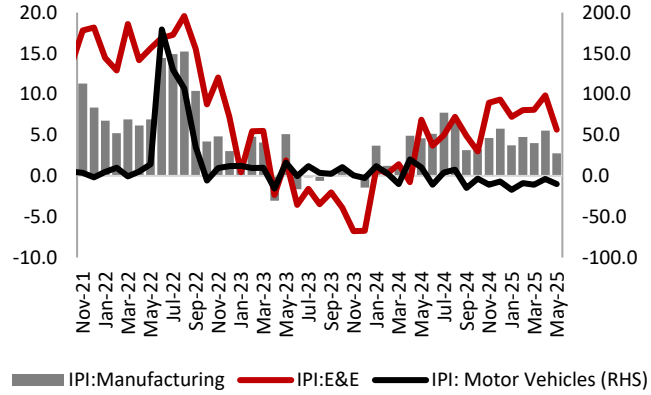
Source: Macrobond, MIDFR

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



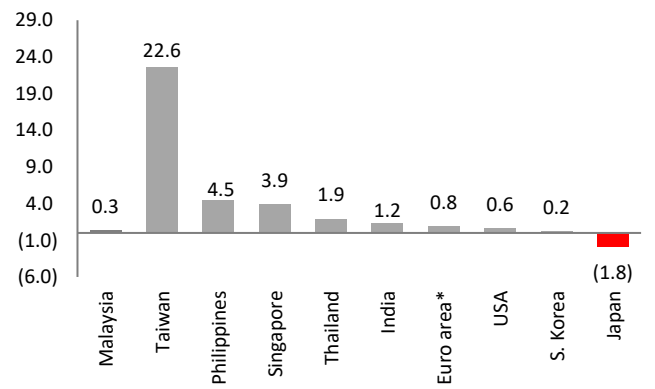
Source: Macrobond, MIDFR

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



Source: Macrobond, MIDFR

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



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

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