IPI Grew Faster in Jul-25 Driven by Manufacturing and Mining Output

Economic Review
Jul-25 Industrial Production



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- Malaysia's IPI expanded faster by +4.2%yoy in Jul-25 (Jun-25: +2.9%yoy), broadly in line with our expectations (+4.4%yoy) and above market consensus (+1.7%yoy). The stronger IPI expansion was supported by a more robust expansion in manufacturing and mining output.
- Sales of manufactured goods rose at a sustained pace of + 3.5%yoy in Jul-25 (Jun-25: +3.3%yoy), expanding for the 19th straight month. The value of manufacturing sales picked up to RM162.5b, the highest level in 11 months. Among products which recorded stronger sales growth in Jul-25 were iron & steel and E&E components.
- We maintain our projection that Malaysia's IPI growth will moderate to around +2.0% this year (2024: +3.7%), taking into account the possible impact of higher tariffs on external trade and the production of export products. Earlier front-loading activities, pick-up in re-exports and sustained rise in domestic demand will keep IPI growth in the positives.

IPI growth accelerated further to +4.2%yoy in Jul-25

Malaysia's IPI expanded faster by +4.2%yoy in Jul-25 (Jun-25: +2.9%yoy), broadly in line with our expectations (+4.4%yoy) and above market consensus (+1.7%yoy). We had anticipated a stronger growth in IPI taking into account the rebound in exports during the month and the lower base in Jul-24. By major sector, the stronger IPI expansion was supported by a more robust expansion in manufacturing and mining output. Electricity generation continued to increase, albeit moderate slightly to +1.6%yoy, on the back of higher energy consumption. The stronger manufacturing output (+4.4%yoy; Jun-25: +3.6%yoy) was driven by stronger output of export-oriented products such as E&E, oils & fats, wood products and furniture. Meanwhile, the increased mining output (+4.3%yoy; Jun-25: -0.0%yoy) was attributable to the stronger production of natural gas and a rebound in crude petroleum output. Despite the stronger production growth in Jul-25, we maintain the growth in overall IPI in the coming months will remain modest. In 7MCY25, IPI growth moderated to an average of +2.4%yoy (7MCY24: +4.0%yoy).

Table 1: Malaysia – Summary of Industrial Production Index

	MoM%*				YoY%			
	Apr-25	May-25	Jun-25	Jul-25	Apr-25	May-25	Jun-25	Jul-25
IPI	(0.2)	(1.4)	2.6	3.1	2.7	0.3	2.9	4.2
Mining	(6.8)	(14.3)	17.6	3.0	(6.3)	(10.2)	0.0	4.3
Manufacturing	1.5	1.0	(0.4)	3.5	5.6	2.8	3.6	4.4
Electricity	(0.1)	3.1	0.3	1.8	(1.7)	(0.1)	2.3	1.6

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

IPI recorded stronger monthly expansion

Based on the seasonally adjusted data, Malaysia's IPI recorded stronger monthly increase of +3.1%mom in Jul-25 (Jul-25: -2.6%mom) due to a rebound in manufacturing output (+3.5%mom), stronger electricity generation (+1.8%mom) and increased mining output (+3.0%mom). In the mining sector, the monthly increase was driven by higher production of crude oil and natural gas. Meanwhile, the rebound in manufacturing output was contributed

by increased production of various products such as palm oil-based manufactured products, foods products, paper & paper products, chemical products, rubber & plastic products, computers & peripheral equipment, and motor vehicles. Given the continued improvement in the manufacturing PMI, which rose to 49.9 in Aug-25 (Jul-25: 49.7), we expect the pick-up in the manufacturing production would be sustained at least until last month. However, we expect the growth to soften influenced by the uncertain external demand outlook which may be constrained particularly by the higher tariffs imposed by the US.

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

	Jan-25	Feb-25	Mar-25	Apr-25	May-25	Jun-25	Jul-25
IPI	**2.1**	**1.5**	**3.2**	**2.7**	**0.3**	**2.9**	**4.2**
Mining	**(3.1)**	**(8.9)**	**1.9**	**(6.3)**	**(10.2)**	**(0.0)**	**4.3**
Crude Petroleum	(10.0)	(6.7)	2.2	(0.7)	(1.6)	(3.2)	1.0
Natural Gas	1.4	(10.3)	1.8	(10.0)	(16.6)	2.3	6.8
Manufacturing	**3.7**	**4.8**	**4.0**	**5.6**	**2.8**	**3.6**	**4.4**
Food Products	7.6	11.6	8.8	13.2	12.4	10.2	8.1
Refined Petroleum Products	3.4	(0.8)	(2.6)	(3.9)	(4.8)	(2.0)	(1.1)
Chemicals & Chemicals Products	2.7	5.7	4.9	4.7	(1.1)	(1.2)	(0.3)
Rubber Products	8.6	4.3	4.2	2.9	(1.1)	(2.3)	(0.8)
Basic Metals	0.8	3.3	3.8	6.0	4.5	6.7	7.4
Electrical & Electronic Products	7.2	8.0	8.1	9.9	5.6	6.4	8.5
Computers & Peripheral Equipment	14.3	7.6	8.3	6.8	6.0	3.2	2.4
Machinery & Equipment	4.0	8.4	6.4	7.5	5.7	9.3	10.2
Motor Vehicles, Trailers & Semi-Trailers	(17.3)	(9.0)	(10.8)	(3.9)	(10.1)	3.4	1.0
Electricity	**(0.2)**	**(2.8)**	**(2.2)**	**(1.7)**	**(0.1)**	**2.3**	**1.6**

Source: Macrobond, MBSBR

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

	Jan-25	Feb-25	Mar-25	Apr-25	May-25	Jun-25	Jul-25
IPI: Export-Oriented Industries	**5.6**	**5.7**	**4.8**	**6.4**	**2.8**	**2.9**	**4.0**
Computer, Electronic and Optical Products	7.9	8.4	9.0	11.1	6.0	5.9	8.5
Electrical Equipment	5.1	5.4	2.9	3.9	3.0	7.1	6.8
Chemicals and Chemical Products	2.7	5.7	4.9	4.7	(1.1)	(1.2)	(0.3)
Coke and Refined Petroleum Products	3.4	(0.8)	(2.6)	(3.9)	(4.7)	(2.0)	(1.1)
Vegetable & animal oils & fats	8.9	17.7	10.6	22.8	15.9	8.5	4.2
Textiles	(3.4)	(3.5)	(3.1)	(2.5)	(3.4)	(4.3)	(2.6)
Wearing Apparel	0.8	5.1	3.4	3.1	(1.2)	(3.0)	(2.4)
Wood and Wood Products	3.2	3.6	2.5	3.4	2.6	(1.8)	3.4
Furniture	(0.1)	4.3	4.0	5.2	5.8	9.8	11.1
Rubber Products	8.6	4.3	4.2	2.9	(1.1)	(2.3)	(0.8)

Source: DOSM, MBSBR

Stronger output of export-oriented products in line with better external trade

Stronger production in the export-oriented sectors was the major contributor to the faster IPI expansion in Jul-25. Export-oriented IPI grew by +4.0%yoy (Jun-25: +2.9%yoy), driven by increased output of electrical equipment, oils & fats, wood & wood products, and even furniture. However, production of other products such as chemicals & chemical products, coke & refined petroleum products, textiles & wearing apparels as well as rubber products declined, although the pace of contraction was slower. Meanwhile, the IPI for domestic-oriented sectors was sustained at +5.0%yoy in Jul-25 (Jun-25: +5.1%), underpinned by stronger output of materials for the construction sector (+3.9%yoy; Jun-25: +3.3%yoy) namely iron & steel and fabricated metals. Meanwhile, the IPI for consumer-oriented industries moderated to +5.6%; Jun-25: +6.1%yoy, which reflects slower growth in production of food products, tobacco products and motor vehicles. While weakness in commodity exports may affect output of commodity products, we also keep a cautious view in terms of the sustainability of output growth for the export-oriented products, pricing in a possible softening in the coming months. Nevertheless, we expect the sustained domestic

demand will continue to drive output of domestic-oriented products in view of growing consumer demand and progress in investment projects in Malaysia.

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

	Jan-25	Feb-25	Mar-25	Apr-25	May-25	Jun-25	Jul-25
IPI: Domestic-Oriented Industries	**0.2**	**2.9**	**2.3**	**3.9**	**2.6**	**5.1**	**5.0**
Construction (CO)	2.7	4.3	4.0	5.1	3.5	3.3	3.9
CO: Non-Metallic Mineral	1.1	2.3	3.7	4.6	2.4	1.5	0.6
CO: Iron and Steel	0.8	3.3	3.8	6.0	4.5	6.7	7.4
CO: Fabricated Metal	4.8	6.4	4.2	5.0	3.7	2.4	4.0
Consumer (CS)	(1.3)	2.0	1.3	3.2	2.0	6.1	5.6
CS: Food Products	7.0	8.6	7.8	8.2	10.3	11.3	10.7
CS: Motor Vehicles, Trailers and Semi-Trailers	(17.3)	(9.0)	(10.8)	(3.9)	(10.1)	3.4	1.0
CS: Other Transport Equipment	(3.3)	(2.0)	(1.1)	(1.2)	(0.3)	(0.4)	0.7
CS: Beverages	5.0	6.2	6.3	6.1	7.2	10.4	11.4
CS: Tobacco Products	1.6	1.4	(2.0)	(1.2)	(1.3)	1.6	1.2
CS: Paper and Paper Products	(1.7)	1.2	(0.3)	0.3	(2.4)	(3.2)	(2.1)
CS: Others	6.5	3.4	3.1	2.9	0.8	1.1	3.6

Source: DOSM, MBSBR

Sustained growth in sales of manufactured goods

Sales of manufactured goods rose at a sustained pace of + 3.5%yoy in Jul-25 (Jun-25: +3.3%yoy), expanding for the 19th straight month. The value of manufacturing sales picked up to RM162.5b, the highest level in 11 months. Among products which recorded stronger sales growth in Jul-25 were iron & steel and E&E components. Other products like computers & peripheral equipment as well as consumer electronics continued to register increased sales from a year ago, although the pace of growth moderated to +5.9%yoy and +11.1%yoy respectively. In contrast, sales remained below last year for refined petroleum products; chemicals & chemical products; and motor vehicles. On month-on-month basis, manufacturing sales continued to grow at +0.8%mom (Jun-25: +1.6%%mom), which translates into a strong rebound of +3.2%mom (Jun-25: -0.6%mom) when the sales data is seasonally adjusted. The monthly sales increases were driven by higher demand for various products such as refined petroleum products and chemicals & chemical products. Sales of motor vehicles even rebounded to +29.7%mom after a sharp drop of -20%yoy in the previous month. In contrast, sales of E&E products, excluding consumer electronics, were weaker compared to Jun-25. In addition to the continued weakness in sales of commodity products and more normalized trend in motor vehicle sales, we remain cautious that potentially weaker external demand could be a drag to overall sales of manufactured goods in the coming months. Thus far, front-loading activities and the tech upcycle supported the sustained annual increases in sales of E&E products.

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

	MoM%			YoY%		
	May-25	Jun-25	Jul-25	May-25	Jun-25	Jul-25
Manufacturing Sales	**(1.1)**	**1.6**	**0.8**	**2.4**	**3.3**	**3.5**
Seasonally-adjusted month-on-month change (%)	*0.5*	*(0.6)*	*3.2*	-	-	-
Refined Petroleum Products	(7.9)	23.6	2.4	(9.9)	(8.1)	(6.4)
Chemicals and Chemical Products	(5.6)	(2.1)	5.1	(2.5)	(2.7)	(2.4)
Rubber Gloves	(8.1)	(6.7)	3.0	5.0	2.6	5.5
Iron & Steel Products	(14.4)	(4.9)	(1.4)	6.0	7.7	9.4
Diodes, Transistor & Electronic Integrated Circuits Mic	6.6	5.6	(1.1)	4.7	0.0	7.4
Electrical Capacitor Resistor, Circuit Board & Display Comp	1.1	8.6	(9.6)	3.1	9.2	11.2
Computers & Peripherals Equipment	(14.9)	(1.4)	0.0	10.5	6.7	5.9
Consumer Electronics	27.6	8.1	1.9	11.0	12.4	11.1
Motor Vehicles	4.3	(20.0)	29.7	(13.1)	(10.8)	(8.1)

Source: Macrobond, DOSM, MBSBR

Some softening in the global industrial production Jul-25

Global industrial production experienced some softening in Jul-25, in line with the global manufacturing PMI falling to 49.7 (Jun-25: 50.4). In the US, IPI growth picked up to +1.5%yoy (Jun-25: +0.8%yoy), underpinned mainly by the increased output in the manufacturing and utility industries. In Japan, however, IPI fell again by -0.9%yoy (Jun-25: +4.4%yoy) due to weaker production of motor vehicles and machinery, amid trade and demand uncertainty. In other East Asia economies, Taiwan recorded sustained rise in its industrial production (+18.1%yoy; Jun-25: +18.3%yoy) underpinned by increased manufacturing output, mainly computers and E&E components, on the back of still robust export performance. South Korea recorded stronger IPI growth of +5.0%yoy (Jun-25: +1.6%yoy), driven by output of electronic components and machinery. Among regional economies, Singapore reported sustained rise in IPI at +7.1%yoy, thanks to the increased output in the electronics, chemicals, transport engineering and precision engineering industries. Meanwhile, IPI growth in the Philippines and Thailand contracted by -1.3%yoy and -4.0%yoy, respectively. In the Philippines, its manufacturing output fell for the first time with various sectors, such as rubber & plastics, beverages, coke & refined petroleum products, chemicals and basic metals, recorded shaper output declines. In Thailand, IPI fell again after 4 months of growth as a result of lower production in the petroleum refining, automotive manufacturing, rubber & plastics, and food industries. We remain cautious that softer foreign demand would affect global production activities in the coming month. Nevertheless, the recent improvement in the global manufacturing PMI, which rose to 50.5, suggests there was sign of stabilisation in the production activities on the back of improved new orders. The improvement also reflects optimism from trade deals with the US as the tariff rates are generally not as high as previously announced. Still, we believe the uncertainties will continue with the US signaling more tariffs may be introduced and the potential re-escalation in the geopolitical and trade tensions.

Table 6: IPI for Selected Economies (YoY%)

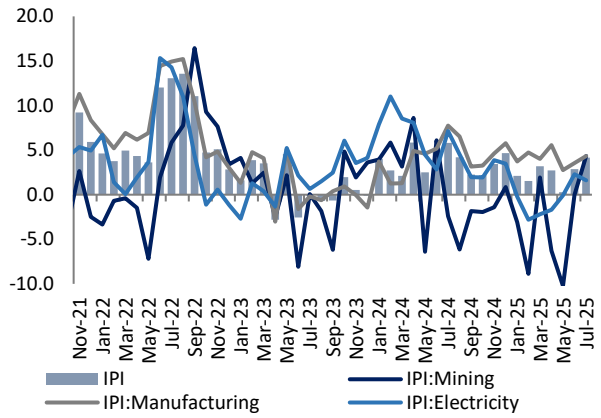
	Dec-24	Jan-25	Feb-25	Mar-25	Apr-25	May-25	Jun-25	Jul-25
Malaysia	4.6	2.1	1.5	3.2	2.7	0.3	2.9	4.2
Philippines	0.1	2.6	(0.9)	(0.2)	1.3	2.1	1.2	(1.3)
Thailand	(1.8)	(1.1)	(3.9)	0.0	1.9	1.9	0.4	(4.0)
Singapore	5.0	5.3	1.1	7.6	3.8	3.5	7.1	7.1
S. Korea	4.4	(5.0)	6.5	4.5	5.1	(0.3)	1.6	5.0
Taiwan	19.8	4.9	18.2	12.8	23.7	22.1	18.3	18.1
India	3.7	5.2	2.7	3.9	2.6	1.9	1.5	3.5
Japan	(2.2)	2.2	0.1	1.0	0.5	(2.4)	4.4	(0.9)
Euro area	(1.7)	(0.4)	0.9	3.7	0.2	3.1	0.2	n.a.
USA	0.4	1.4	1.1	1.1	1.3	0.7	0.8	1.5

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

Still expect IPI to grow moderately at +2.0% this year

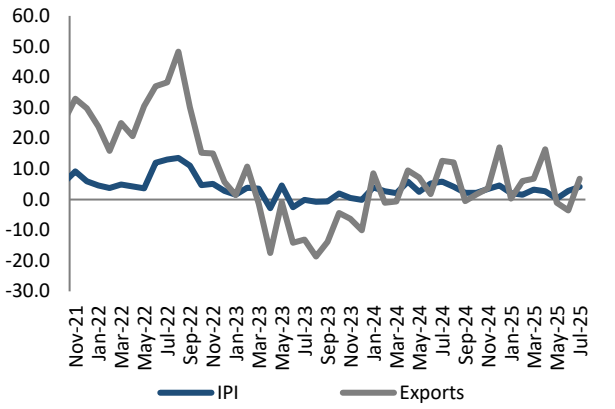
We maintain our projection that Malaysia's IPI growth will moderate to around +2.0% this year (2024: +3.7%), taking into account the possible impact of higher tariffs on external trade and the production of export products. Earlier front-loading activities, pick-up in re-exports and sustained rise in domestic demand will keep IPI growth in the positives. On the domestic front, we expect increased domestic spending and local business activities will continue to drive production of domestic-oriented goods. On another note, we expect local producers and exporters will closely monitor the risk of slower external demand, particularly from major markets such as the US and China, which will affect their production activities and hiring decisions.

Chart 1: IPI Performance by Sector (YoY%)



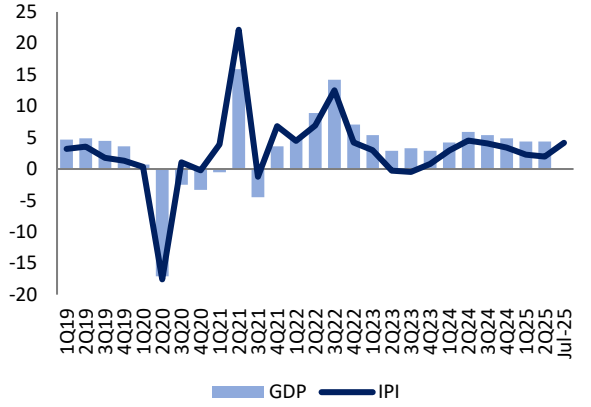
Source: Macrobond, MBSBR

Chart 2: IPI vs Exports (YoY%)



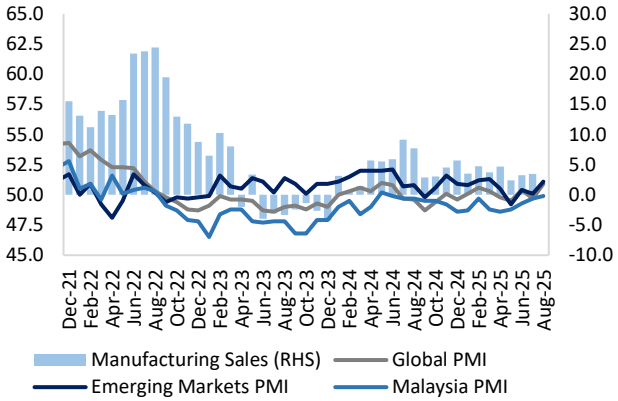
Source: Macrobond, MBSBR

Chart 3: IPI vs GDP (YoY%)



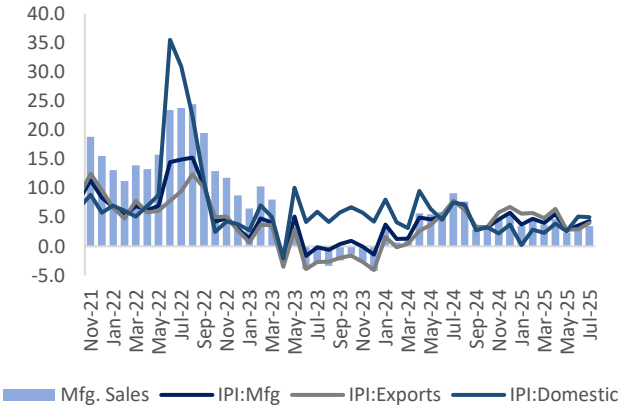
Source: Macrobond, MBSBR

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



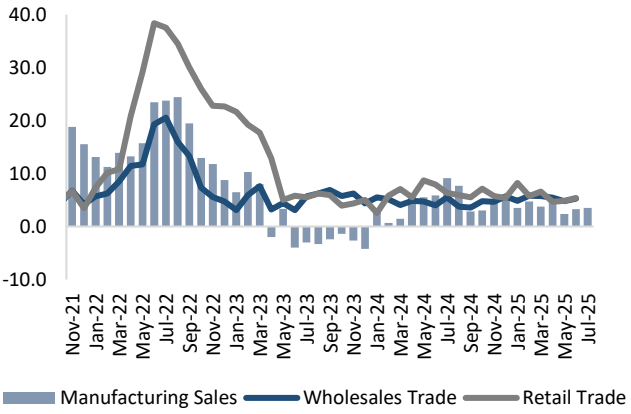
Source: Macrobond, MBSBR

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



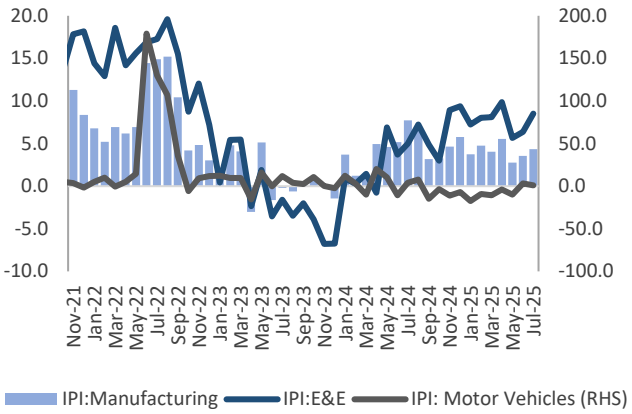
Source: DOSM, MBSBR

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



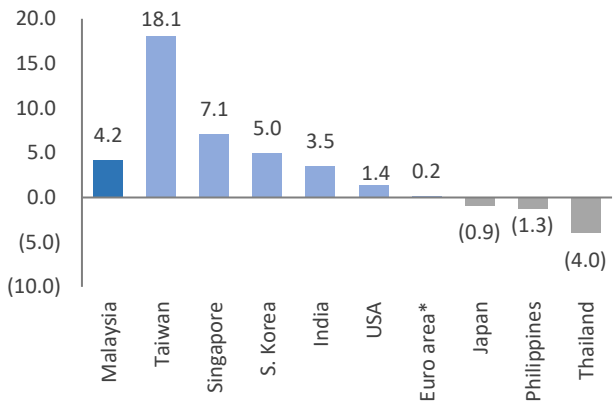
Source: DOSM, MBSBR

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



Source: Macrobond, MBSBR

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



*Refers to the latest available data for Jun-25
Source: Macrobond, MBSBR

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