IPI Rose Faster than Expected in Aug-25 with a Surge in Mining Output

Economic Review
Aug-25 Industrial Production



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- Malaysia's IPI growth strengthened further to +4.9%yoy in Aug-25 (Jul-25: +4.2%yoy), underpinned by a stronger mining output, due to robust output of both crude petroleum and natural gas. Manufacturing output, on the other hand, rose softer at +2.8%yoy (Jul-25: +4.4%yoy).
- 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%). Our projection reflects our expectations that export sectors will be hit by slower external demand and higher US tariffs.

IPI growth strengthened further to +4.9%yoy

Malaysia's IPI growth strengthened further to +4.9%yoy in Aug-25 (Jul-25: +4.2%yoy), above our estimate (+3.0%yoy) and market expectations (+3.6%yoy). We anticipated IPI growth to moderate, taking into account the slower expansion in exports during the month. By major sectors, the stronger growth was underpinned by a stronger mining output, which jumped to +16.8%yoy (Jul-25: +4.3%yoy) due to robust output of both crude petroleum and natural gas and also due to lower base a year ago. Manufacturing output, on the other hand, rose softer at +2.8%yoy (Jul-25: +4.4%yoy), with modest growth in computer & peripheral equipment, motor vehicles and food products. The sustained growth in electricity generation, growing at the same pace of +1.6%yoy, reflects continued rise in energy consumption. In 8MCY25, IPI grew by 2.7%yoy, relatively more moderate compared to +4.0%yoy in the same period last year.

IPI sequentially fell from the previous month

Based on the seasonally adjusted data, Malaysia's IPI fell by -0.3%mom in Aug-25 (Jul-25: +3.1%mom) due to weaker output in the manufacturing and electricity sectors, which fell by -2.4%mom and -1.1%mom, respectively. In contrast, the mining output surged by +9.2%mom, driven mainly by higher production of natural gas. The decline in manufacturing output was contrary to the improvement in manufacturing PMI, which rose to 49.9 in Aug-25 (Jul-25: 49.7). However, it was in line with the weaker exports which fell by -6.0%mom (Jul-25: +15.2%mom), signaling the fading effect of front-loading ahead of the higher tariffs imposed by the US. With PMI remaining around the same level at 49.8 in Sep-25, we foresee the subdued growth to continue as weaker external demand and tighter trade rules influenced production plans. On the other hand, the potential boost could come from sustained rise in domestic spending.

Output growth eased for both export- and domestic-oriented sectors

Output for the export-oriented sectors grew slower at +2.3%yoy in Aug-25 (Jul-25: +4.1%yoy), weighed down by lower production of chemicals & chemical products, refined petroleum products, oils & fats, textiles, and rubber products. Sub-sectors which recorded increased output during the month among others were computers & peripheral equipment, E&E products, furniture, and woods & wood products. Similarly, domestic-oriented industries also reported slower output growth of +3.8%yoy (Jul-25: +5.0%yoy). Production

of consumer products increased at slower pace of +3.8%yoy (Jul-25: +5.6%yoy) to a certain extent dragged down by lower production of motor vehicle production (-5.1%yoy), which fell again after 2 months of growth, paper products (-3.2%yoy), which declined for the 4th straight month. However, products, such as foods, beverages, and tobacco products continued to increase on the back of growing consumer demand. Meanwhile, output of construction products rose sustainably by +3.6%yoy (Jul-25: +3.9%yoy) supported by higher production of fabricated metal and iron & steel. The effect of tariffs and weaker external demand will likely constrain production of export products in the coming months. We are positive that increased domestic consumption will continue to support the demand for consumer and construction products.

Sustained growth in sales of manufactured goods

Even sales of manufactured goods recorded moderate growth of + 2.7%yoy in Aug-25 (Jul-25: +3.5%yoy), in line with weaker manufacturing production and exports. Nevertheless, the manufacturing sales continued to grow for the 20th straight month since Jan-24, where the monthly sales value reached a new high of RM168.3b. The sustained growth was underpinned by increased sales of computers & peripheral equipment, E&E products, and iron & steel. Meanwhile, sales of other products, such as motor vehicles, consumer electronics, chemical products and refined petroleum products, were lower than Aug-24. On month-to-month basis, manufacturing sales grew stronger by +3.5%mom (Jul-25: +0.8%mom), following rebound in sales of iron & steel products, E&E products and computers & peripheral equipment. The seasonally adjusted data, however, indicates that the manufacturing sales contracted by -1.6%mom from the previous month. Selected products, such as rubber gloves and consumer electronics, reported sales weakened compared to Jul-25.

Global production mostly eased and some weakened in Aug-25

Global industrial production mostly eased in Aug-25, in line with the better reading in global manufacturing PMI which rose to 50.9 (Jul-25: 49.7). In the US, IPI continued to expand although the pace eased slightly to +0.9%yoy (Jul-25: +1.3%yoy), underpinned mainly by the increased output in the manufacturing and mining industries. China, Taiwan and India also reported some easing but sustained IPI growth in Aug-25, while the IPI growth in Philippines rebounded from the decline in Jul-25. South Korea's IPI growth moderated to only +0.9%yoy (Jul-25: +5.0%yoy). On the contrary, several East Asian economies, namely Thailand, Singapore and Japan, registered negative IPI growth. To a certain extent, the moderation and weaker production signal the early impact of higher US tariffs on regional production activities, while sustained rise was supported by stronger demand mainly for semiconductor and technology products. We expect modest growth to remain as the global manufacturing PMI was stable at 50.8 in Sep-25, where manufacturers indicated slower fall in output and for some countries improved external demand. Further tightening of trade rules by the US could continue to affect global production but cushioned by greater trade integration and sustained demand growth from other parts of the world.

Maintain moderate IPI growth at +2.0% for 2025

We maintain our projection that Malaysia's IPI growth will moderate to around +2.0% this year (2024: +3.7%). Our projection reflects our expectations that export sectors will be hit by slower external demand and higher US tariffs. Potential upsides could come from the front-loading activities (ahead of the tariff hikes), stronger re-exports, and sustained rise in domestic demand. We expect sustained rise in domestic spending and local business activities will support production of domestic-oriented products. On the other hand, we remain cautious about the near-term outlook because more tariff hikes and potentially sharper slowdown in external demand could dampen exports and production activities.

Table 1: Malaysia – Summary of Industrial Production Index

	MoM%*				YoY%			
	May-25	Jun-25	Jul-25	Aug-25	May-25	Jun-25	Jul-25	Aug-25
IPI	(1.4)	2.6	3.1	(0.3)	0.3	2.9	4.2	4.9
Mining	(14.3)	17.6	3.0	9.2	(10.2)	(0.0)	4.3	16.8
Manufacturing	1.0	(0.4)	3.5	(2.4)	2.8	3.6	4.4	2.8
Electricity	3.1	0.3	1.8	(1.1)	(0.1)	2.3	1.6	1.6

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

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

	Feb-25	Mar-25	Apr-25	May-25	Jun-25	Jul-25	Aug-25
IPI	**1.5**	**3.2**	**2.7**	**0.3**	**2.9**	**4.2**	**4.9**
Mining	**(8.9)**	**1.9**	**(6.3)**	**(10.2)**	**(0.0)**	**4.3**	**16.8**
Crude Petroleum	(6.7)	2.2	(0.7)	(1.6)	(3.2)	1.0	11.4
Natural Gas	(10.3)	1.8	(10.0)	(16.6)	2.3	6.8	20.6
Manufacturing	**4.8**	**4.0**	**5.6**	**2.8**	**3.6**	**4.4**	**2.8**
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	**(2.8)**	**(2.2)**	**(1.7)**	**(0.1)**	**2.3**	**1.6**	**1.6**

Source: Macrobond, MBSBR

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

	Feb-25	Mar-25	Apr-25	May-25	Jun-25	Jul-25	Aug-25
IPI: Export-Oriented Industries	**5.7**	**4.8**	**6.4**	**2.8**	**2.9**	**4.1**	**2.3**
Computer, Electronic and Optical Products	8.4	9.0	11.1	6.0	5.9	8.5	6.7
Electrical Equipment	5.4	2.9	3.9	3.0	7.1	6.8	7.4
Chemicals and Chemical Products	5.7	4.9	4.7	(1.1)	(1.2)	(0.3)	(2.7)
Coke and Refined Petroleum Products	(0.8)	(2.6)	(3.9)	(4.7)	(2.0)	(1.1)	(0.5)
Vegetable & animal oils & fats	17.7	10.6	22.8	15.9	8.5	4.1	(7.5)
Textiles	(3.5)	(3.1)	(2.5)	(3.4)	(4.3)	(2.7)	(4.5)
Wearing Apparel	5.1	3.4	3.1	(1.2)	(3.0)	(2.4)	(0.3)
Wood and Wood Products	3.6	2.5	3.4	2.6	(1.9)	3.4	3.6
Furniture	4.3	4.0	5.2	5.8	9.8	11.1	7.7
Rubber Products	4.3	4.2	2.9	(1.1)	(2.3)	(0.8)	(1.5)

Source: DOSM, MBSBR

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

	Feb-25	Mar-25	Apr-25	May-25	Jun-25	Jul-25	Aug-25
IPI: Domestic-Oriented Industries	**2.9**	**2.3**	**3.9**	**2.6**	**5.1**	**5.0**	**3.8**
Construction (CO)	4.3	4.0	5.1	3.5	3.3	3.9	3.6
CO: Non-Metallic Mineral	2.3	3.7	4.6	2.4	1.5	0.6	0.3
CO: Iron and Steel	3.3	3.8	6.0	4.5	6.7	7.4	5.4
CO: Fabricated Metal	6.4	4.2	5.0	3.7	2.4	4.1	4.9
Consumer (CS)	2.0	1.3	3.2	2.0	6.1	5.6	3.8
CS: Food Products	8.6	7.8	8.2	10.3	11.3	10.7	9.7
CS: Motor Vehicles, Trailers and Semi-Trailers	(9.0)	(10.8)	(3.9)	(10.1)	3.4	1.0	(5.1)
CS: Other Transport Equipment	(2.0)	(1.1)	(1.2)	(0.3)	(0.4)	0.7	1.4
CS: Beverages	6.2	6.3	6.1	7.2	10.4	11.4	13.1
CS: Tobacco Products	1.4	(2.0)	(1.2)	(1.3)	1.6	1.2	1.4
CS: Paper and Paper Products	1.2	(0.3)	0.3	(2.4)	(3.2)	(2.1)	(3.2)
CS: Others	3.4	3.1	2.9	0.8	1.1	3.6	4.1

Source: DOSM, MBSBR

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

	MoM%			YoY%		
	Jun-25	Jul-25	Aug-25	Jun-25	Jul-25	Aug-25
Manufacturing Sales	**1.6**	**0.8**	**3.5**	**3.3**	**3.5**	**2.7**
Seasonally adjusted month-on-month change (%)	*(0.6)*	*3.2*	*(1.6)*			
Refined Petroleum Products	23.6	2.4	0.2	(8.1)	(6.4)	(2.7)
Chemicals and Chemical Products	(2.1)	5.1	4.2	(2.7)	(2.4)	(3.5)
Rubber Gloves	(6.7)	3.0	(16.7)	2.6	5.5	(1.4)
Iron & Steel Products	(4.9)	(1.4)	8.1	7.7	9.4	3.0
Diodes, Transistor & Electronic Integrated Circuits Mic	5.6	(1.1)	5.5	0.0	7.4	2.1
Electrical Capacitor Resistor, Circuit Board & Display Comp	8.6	(9.6)	13.3	9.2	11.2	11.6
Computers & Peripherals Equipment	(1.4)	0.0	6.1	6.7	5.9	14.1
Consumer Electronics	8.1	1.9	(7.8)	12.4	11.1	(2.4)
Motor Vehicles	(20.0)	29.7	0.0	(10.8)	(8.1)	(11.2)

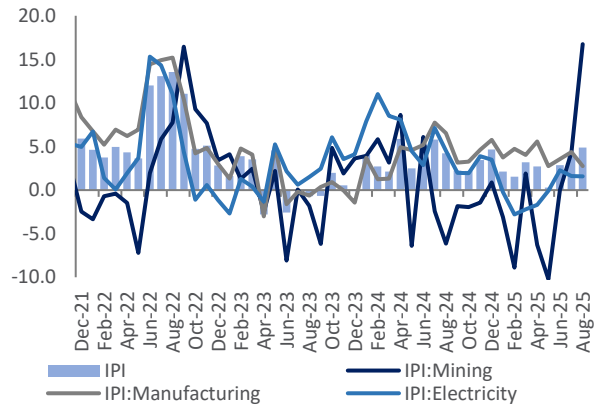
Source: Macrobond, DOSM, MBSBR

Table 6: IPI for Selected Economies (YoY%)

	Jan-25	Feb-25	Mar-25	Apr-25	May-25	Jun-25	Jul-25	Aug-25
Malaysia	2.1	1.5	3.2	2.7	0.3	2.9	4.2	4.9
Philippines	3.0	(0.8)	0.1	1.2	2.4	1.5	(1.9)	2.0
Thailand	(1.1)	(3.9)	0.0	1.9	1.9	0.4	(3.8)	(4.2)
Singapore	5.3	1.1	7.7	4.1	3.6	7.1	7.7	(7.8)
S. Korea	(5.0)	6.5	4.5	5.1	(0.3)	1.6	5.0	0.9
Taiwan	4.9	18.2	12.8	23.7	22.1	18.3	18.7	14.4
China	5.9	5.9	7.7	6.1	5.8	6.8	5.7	5.2
India	5.2	2.7	3.9	2.6	1.9	1.5	4.3	4.0
Japan	2.2	0.1	1.0	0.5	(2.4)	4.4	(0.4)	(1.3)
Euro area	(0.3)	0.9	3.7	0.4	3.1	0.7	1.8	n.a.
USA	1.4	1.1	1.0	1.2	0.7	0.9	1.3	0.9

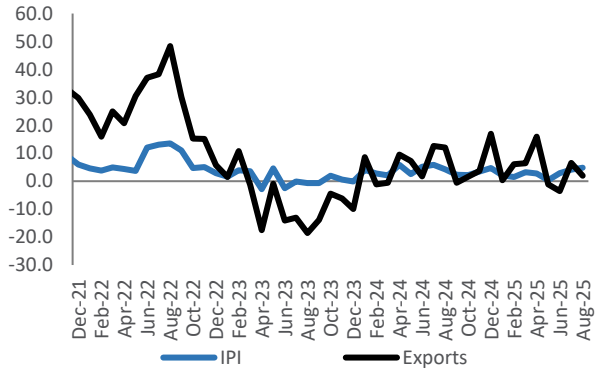
*n.a.: not available
Source: Macrobond, MBSBR

Chart 1: IPI Performance by Sector (YoY%)



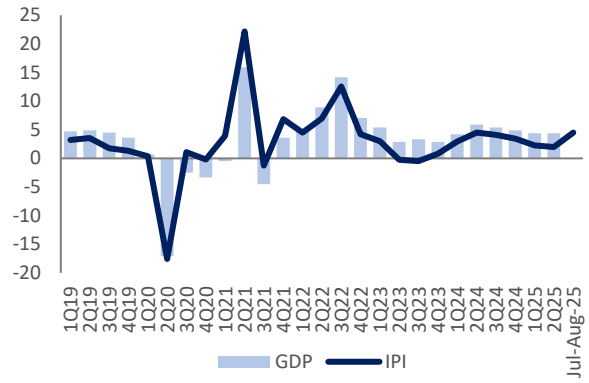
Source: Macrobond, MBSBR

Chart 2: IPI vs Exports (YoY%)



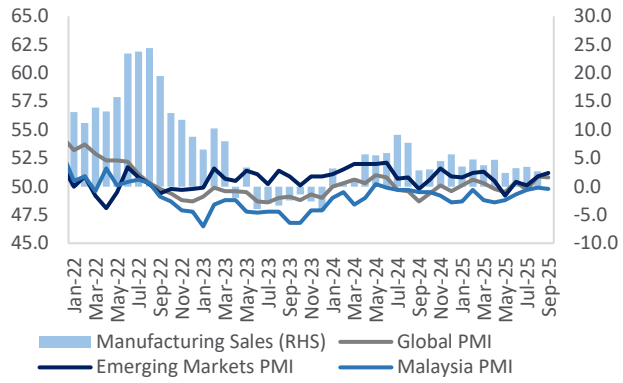
Source: Macrobond, MBSBR

Chart 3: IPI vs GDP (YoY%)



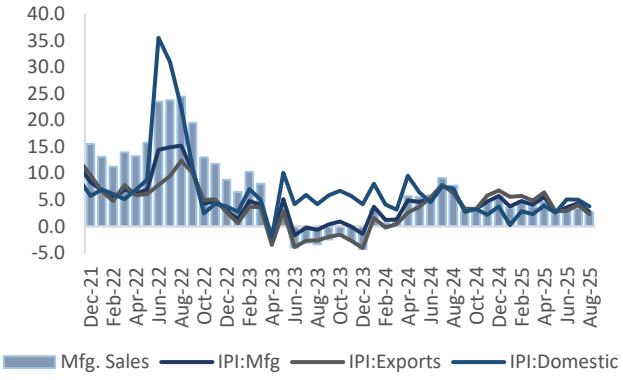
Source: Macrobond, MBSBR

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



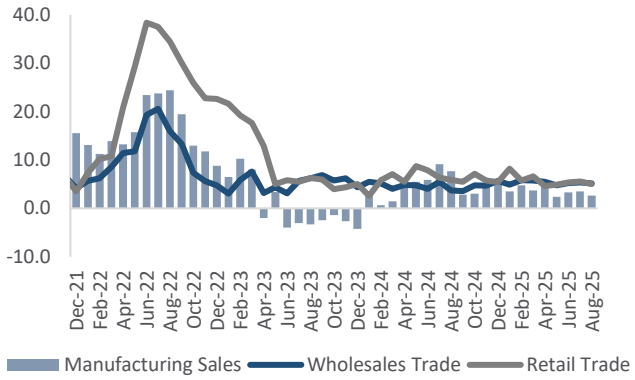
Source: Macrobond, MBSBR

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



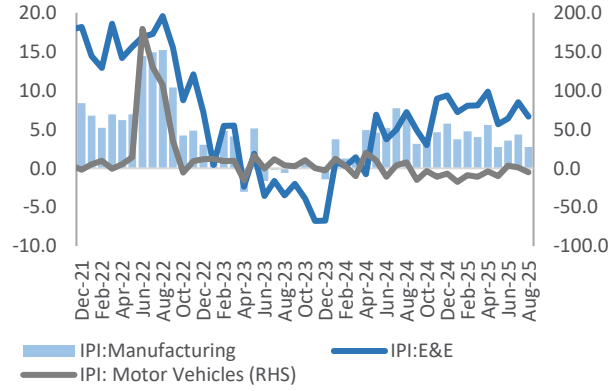
Source: DOSM, MBSBR

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



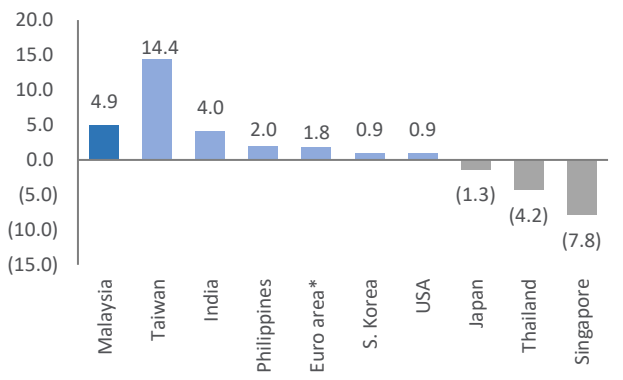
Source: DOSM, MBSBR

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



Source: Macrobond, MBSBR

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



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

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