IPI Grew Faster at +5.7%yoy Driven by Stronger Manufacturing Output

Economic Review
Sep-25 Industrial Production



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- Malaysia's IPI growth picked up to +5.7%yoy in Sep-25 (Aug-25: +4.8%yoy), above our estimate and market expectations. The stronger than anticipated IPI growth was driven by continuation of growth across all three major sectors, despite some moderation in the mining sector.
- Sales of manufactured goods also rose higher by +4.3%yoy in Sep-25 (Aug-25: +2.7%yoy), in line with the stronger manufacturing production and exports. This marked 21 consecutive months of growth, whereby the monthly sales value reached a new high of RM169.3b.
- We revise upward our forecast for Malaysia's IPI growth for 2025 to +3.2% (previous forecast: +2.0%; 2024: +3.7%), taking into account the more resilient IPI growth in recent months. The more encouraging growth suggests the moderation thus far is not as significant as we anticipated previously.

IPI growth strengthened further to +5.7%yoy

Malaysia's IPI growth picked up to +5.7%yoy in Sep-25 (Aug-25: +4.8%yoy), above our estimate and market expectations. The stronger than anticipated IPI growth was driven by continuation of growth across all three major sectors, despite some moderation in the mining sector. Manufacturing output rose faster at +5.0%yoy (Aug-25: +2.8%yoy), driven by the strong growth in the electrical & electronics (+9.1%yoy; Aug-25: +6.6%yoy), food, beverages & tobacco (+8.7%yoy; Aug-25: +3.4%yoy), and the transports equipment & others (+4.6%yoy; Aug-25: -1.7%yoy). Electricity generation also recorded stronger expansion at +2.8%yoy (Aug-25: +1.2%yoy), reflecting continued rise in energy consumption. On the other hand, the mining output growth moderated but still grew at a double-digit pace of +10.2%yoy (Aug-25: +16.8%yoy), due to moderation in natural gas output (+8.5%yoy; Aug-25: +20.6%yoy) in contrast to stronger crude petroleum production (+13.0%yoy; Aug-25: 11.4%yoy). In 9MCY25, IPI grew by +3.0%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 -0.9%mom in Sep-25 (Aug-25: -0.3%mom) due to weaker output in the mining and electricity sectors, which fell by -2.4%mom and -1.6%mom, respectively. The manufacturing output also fell but at slower pace of -0.3%mom (Aug-25: -2.4%mom), where the sequential improvement was mainly thanks to higher production of food products and E&E products. This was in line with the stronger exports which grew by +4.0%mom (Aug-25: -6.0%mom), reflecting another round of frontloading amid concerns of potential imposition of higher tariffs by the US on the semiconductor industry. With PMI falling to 49.5 in Oct-25 (Sep-25: 49.8), we foresee the subdued growth to continue as firms' production plans influenced by concerns over weaker external demand and tighter trade rules. On the other hand, the potential boost could come from sustained rise in domestic spending and clarity from the recent trade deals.

Export-oriented industries: growth driven by E&E and resource-based products

Output in export-oriented sectors accelerated to +4.8%yoy in Sep-25 (Aug-25: +2.3%yoy), driven by stronger production in computers and peripheral equipment, wood and wood products, and vegetable and animal oils. In line with the improved export performance, output for the E&E segment also rose faster in Sep-25 (+11.1%yoy; Aug-25: +7.4%yoy). Nonetheless, subsectors that recorded softer declines were chemicals, petroleum products, textiles and rubber products.

Domestic-oriented industries: resilient consumer demand and steady construction output

Similarly, domestic-oriented industries also reported higher output growth of +5.3%yoy (Aug-25: +3.8%yoy). Production of consumer products grew faster at +6.7%yoy (Aug-25: +3.8%yoy), reflecting resilient domestic consumption. This was attributable to the increase in production for most of the sub-sectors, except for paper products (-0.8%yoy; Aug-25: +3.2%yoy). Meanwhile, output growth for the construction products moderated slightly to +3.0%yoy (Aug-25: +3.6%yoy), with easing production in fabricated metal and the decline in non-metallic mineral. However, production of iron and steel rose faster at +6.1%yoy (Aug-25: +5.4%yoy).

Front-loading in E&E and sustained domestic demand

The impact of tariffs has been relatively muted, as the surge in E&E production likely reflects front-loading ahead of potential sector-specific tariffs on semiconductors, which remained under investigation. Nevertheless, we remain positive that stronger domestic consumption will continue to support demand for consumer-related products, while ongoing multi-year infrastructure projects will sustain demand for construction materials.

Manufacturing sales hit record high, supported by E&E products

Sales of manufactured goods also rose higher by +4.3%yoy in Sep-25 (Aug-25: +2.7%yoy), in line with the stronger manufacturing production and exports. This marked 21 consecutive months of growth, whereby the monthly sales value reached a new high of RM169.3b. The higher growth was underpinned by increased sales of E&E products, particularly for electrical capacitor resistor, circuit board & display components. Meanwhile, extended declines were observed in motor vehicles, rubber gloves, and refined petroleum and chemical products, albeit at a softer pace. On a monthly basis, manufacturing sales continued to increase but the growth moderated to +0.6%mom in Sep-25 (Aug-25: +3.5%mom), following sharp declines in motor vehicles (-13.4%mom) and computer equipment (-43.4%mom). Based on the seasonally adjusted data, manufacturing sales contracted slightly sharper by -1.8%mom (Aug-25: -1.6%mom).

Global production improved in Sep-25

Global industrial production generally picked up in Sep-25, with the global manufacturing PMI remaining on expansionary for the second straight month (Sep-25: 50.7; Aug-25: 50.9). In China, IPI grew stronger at +6.5%yoy (Aug-25: +5.2%yoy), backed by stronger manufacturing (such as automotive, computers & communications, and railway & shipbuilding) and mining output. South Korea and Taiwan also recorded stronger IPI growth of +11.6%yoy and 15.5%yoy, respectively, underpinned by stronger output of manufactured goods including E&E products. In Japan, the rebound in IPI growth was backed by sequential recovery in production of machinery, chemicals and metals. In India, IPI growth remained at +4.0%yoy as the stronger manufacturing output offset the slower electricity generation and weaker mining output. Among regional countries, Singapore IPI rebounded to +16.1%yoy, driven by recovery in electronics and biomedical manufacturing, while in the recovery in output of automotive, apparel and petroleum refining contributed to Thailand's IPI growing by +1.0%yoy in Sep-25, marking a rebound from 2 month of contraction. The Philippines also reported stronger IPI growth of +2.4%yoy with stronger production of computer, electronic & optical products and rebound in output of petroleum products. Although the global manufacturing PMI was stable, albeit rising slightly to 50.8 in Oct-25, we maintain a cautiously optimistic view that the IPI growth will continue growing. However, concerns about future demand, particularly the export-oriented industries, could cause IPI to grow modestly in the coming months.

Revise IPI growth for 2025 higher to +3.2%

We revise higher our forecast for Malaysia's IPI growth for 2025 to +3.2% (previous forecast: +2.0%; 2024: +3.7%), taking into account the more resilient IPI growth in recent months. In fact, the encouraging growth suggests moderation thus far is not as significant as we anticipated previously. In particular, the front-loading activities and the positive outcome from recent trade negotiations eased concerns about a sharp slowdown in the external demand, as reflected by the sustained growth in production and export performance. We believe the resilience in the manufacturing sector and recovery in mining output will be among positive factors contributing towards more robust 3QCY25 GDP growth. While we continue to monitor external developments such as changing trade rules and geopolitical tensions, we expect production activities to continue growing in coming months, backed by growing demand from both domestic and export markets.

Table 1: Malaysia – Summary of Industrial Production Index

	MoM%*				YoY%			
	Jun-25	Jul-25	Aug-25	Sep-25	Jun-25	Jul-25	Aug-25	Sep-25
IPI	2.6	3.1	(0.3)	(0.9)	2.9	4.2	4.8	5.7
Mining	17.6	3.0	9.2	(2.4)	(0.0)	4.3	16.8	10.2
Manufacturing	(0.4)	3.5	(2.4)	(0.3)	3.6	4.4	2.8	5.0
Electricity	0.3	1.8	(1.1)	(1.6)	2.3	1.6	1.2	2.8

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

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

	Mar-25	Apr-25	May-25	Jun-25	Jul-25	Aug-25	Sep-25
IPI	**3.2**	**2.7**	**0.3**	**2.9**	**4.2**	**4.8**	**5.7**
Mining	**1.9**	**(6.3)**	**(10.2)**	**(0.0)**	**4.3**	**16.8**	**10.2**
Crude Petroleum	2.2	(0.7)	(1.6)	(3.2)	1.0	11.4	13.0
Natural Gas	1.8	(10.0)	(16.6)	2.3	6.8	20.6	8.5
Manufacturing	**4.0**	**5.6**	**2.8**	**3.6**	**4.4**	**2.8**	**5.0**
Food Products	8.8	13.2	12.4	10.2	8.1	2.7	8.4
Refined Petroleum Products	(2.6)	(3.9)	(4.8)	(2.0)	(1.1)	(0.5)	(0.2)
Chemicals & Chemicals Products	4.9	4.7	(1.1)	(1.2)	(0.3)	(2.7)	(1.7)
Rubber Products	4.2	2.9	(1.1)	(2.3)	(0.8)	(1.5)	(0.9)
Basic Metals	3.8	6.0	4.5	6.7	7.4	5.4	6.1
Electrical & Electronic Products	8.1	9.9	5.6	6.4	8.5	6.6	9.1
Computers & Peripheral Equipment	8.3	6.8	6.0	3.2	2.4	5.4	4.1
Machinery & Equipment	6.4	7.5	5.7	9.3	10.2	5.4	9.6
Motor Vehicles, Trailers & Semi-Trailers	(10.8)	(3.9)	(10.1)	3.4	1.0	(5.1)	4.5
Electricity	**(2.2)**	**(1.7)**	**(0.1)**	**2.3**	**1.6**	**1.2**	**2.8**

Source: Macrobond, MBSBR

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

	Mar-25	Apr-25	May-25	Jun-25	Jul-25	Aug-25	Sep-25
IPI: Export-Oriented Industries	**4.8**	**6.4**	**2.8**	**2.9**	**4.1**	**2.3**	**4.8**
Computer, Electronic and Optical Products	9.0	11.1	6.0	5.9	8.5	6.7	8.8
Electrical Equipment	2.9	3.9	3.0	7.1	6.8	7.4	11.1
Chemicals and Chemical Products	4.9	4.7	(1.1)	(1.2)	(0.3)	(2.7)	(1.7)
Coke and Refined Petroleum Products	(2.6)	(3.9)	(4.7)	(2.0)	(1.1)	(0.5)	(0.2)
Vegetable & animal oils & fats	10.6	22.8	15.9	8.5	4.1	(7.5)	7.4
Textiles	(3.1)	(2.5)	(3.4)	(4.3)	(2.7)	(4.5)	(1.3)
Wearing Apparel	3.4	3.1	(1.2)	(3.0)	(2.4)	(0.3)	2.1
Wood and Wood Products	2.5	3.4	2.6	(1.8)	3.4	3.6	1.9
Furniture	4.0	5.2	5.8	9.8	11.1	7.7	8.0
Rubber Products	4.2	2.9	(1.1)	(2.3)	(0.8)	(1.5)	(0.9)

Source: DOSM, MBSBR

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

	Mar-25	Apr-25	May-25	Jun-25	Jul-25	Aug-25	Sep-25
IPI: Domestic-Oriented Industries	**2.3**	**3.9**	**2.6**	**5.1**	**5.0**	**3.8**	**5.3**
Construction (CO)	4.0	5.1	3.5	3.3	3.9	3.6	3.0
CO: Non Metallic Mineral	3.7	4.6	2.4	1.5	0.6	0.3	(2.0)
CO: Iron and Steel	3.8	6.0	4.5	6.7	7.4	5.4	6.1
CO: Fabricated Metal	4.2	5.0	3.7	2.4	4.1	4.9	4.5
Consumer (CS)	1.3	3.2	2.0	6.1	5.6	3.8	6.7
CS: Food Products	7.8	8.2	10.3	11.3	10.7	9.7	9.0
CS: Motor Vehicles, Trailers and Semi-Trailers	(10.8)	(3.9)	(10.1)	3.4	1.0	(5.1)	4.5
CS: Other Transport Equipment	(1.1)	(1.2)	(0.3)	(0.4)	0.7	1.4	3.3
CS: Beverages	6.3	6.1	7.2	10.4	11.4	13.1	14.4
CS: Tobacco Products	(2.0)	(1.2)	(1.3)	1.6	1.2	1.4	3.0
CS: Paper and Paper Products	(0.3)	0.3	(2.4)	(3.2)	(2.1)	(3.2)	(0.8)
CS: Others	3.1	2.9	0.8	1.1	3.6	4.1	4.9

Source: DOSM, MBSBR

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

	MoM%			YoY%		
	Jul-25	Aug-25	Sep-25	Jul-25	Aug-25	Sep-25
Manufacturing Sales	**0.8**	**3.5**	**0.6**	**3.5**	**2.7**	**4.3**
Seasonally-adjusted month-on-month change (%)	*3.2*	*(1.6)*	*(1.8)*			
Refined Petroleum Products	2.4	0.2	(2.7)	(6.4)	(2.7)	(0.8)
Chemicals and Chemical Products	5.1	4.2	(5.7)	(2.4)	(3.5)	(2.0)
Rubber Gloves	3.0	(16.7)	4.4	5.5	(1.4)	(0.2)
Iron & Steel Products	(1.4)	8.1	19.6	9.4	3.0	1.7
Diodes, Transistor & Electronic Integrated Circuits Mic	(1.1)	5.5	10.5	7.4	2.1	6.9
Electrical Capacitor Resistor, Circuit Board & Display Comp	(9.6)	13.3	14.9	11.2	11.6	16.7
Computers & Peripherals Equipment	0.0	6.1	(43.4)	5.9	14.1	4.9
Consumer Electronics	1.9	(7.8)	1.0	11.1	(2.4)	3.3
Motor Vehicles	29.7	0.0	(13.4)	(8.1)	(11.2)	(2.4)

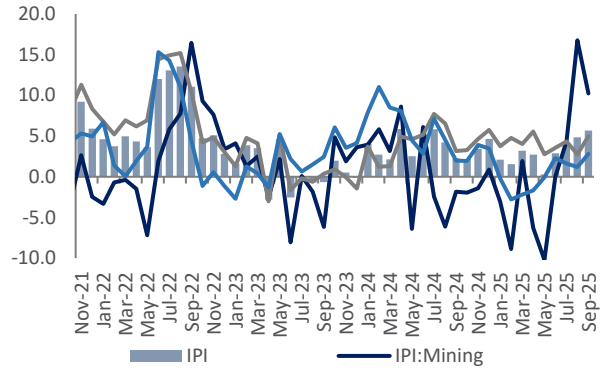
Source: Macrobond, DOSM, MBSBR

Table 6: IPI for Selected Economies (YoY%)

	Feb-25	Mar-25	Apr-25	May-25	Jun-25	Jul-25	Aug-25	Sep-25
Malaysia	1.5	3.2	2.7	0.3	2.9	4.2	4.9	5.7
Philippines	(0.8)	0.1	1.2	2.4	1.5	(1.9)	1.6	2.4
Thailand	(3.9)	0.0	1.9	1.9	0.4	(3.8)	(4.4)	1.0
Singapore	1.2	7.7	4.1	3.6	7.7	7.8	(9.0)	16.1
S. Korea	6.5	4.5	5.1	(0.3)	1.6	5.0	0.9	11.6
Taiwan	18.2	12.8	23.7	22.1	18.3	18.7	13.7	15.5
China	5.9	7.7	6.1	5.8	6.8	5.7	5.2	6.5
India	2.7	3.9	2.6	1.9	1.5	4.3	4.0	4.0
Japan	0.1	1.0	0.5	(2.4)	4.4	(0.4)	(1.6)	3.4
Euro area	0.9	3.7	0.4	3.1	0.7	2.0	1.1	n.a.
USA	1.1	1.0	1.2	0.7	0.9	1.3	0.9	n.a.

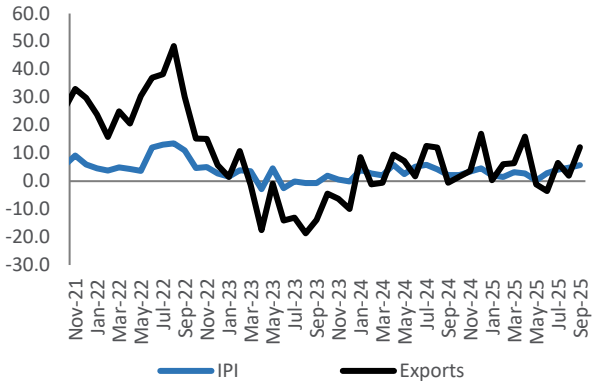
*n.a.: not available
Source: Macrobond, MBSBR

Chart 1: IPI Performance by Sector (YoY%)



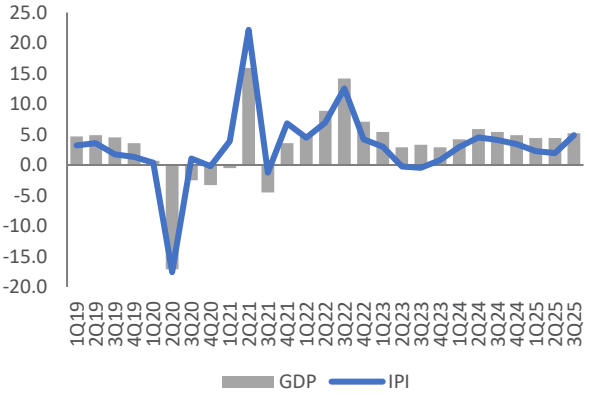
Source: Macrobond, MBSBR

Chart 2: IPI vs Exports (YoY%)



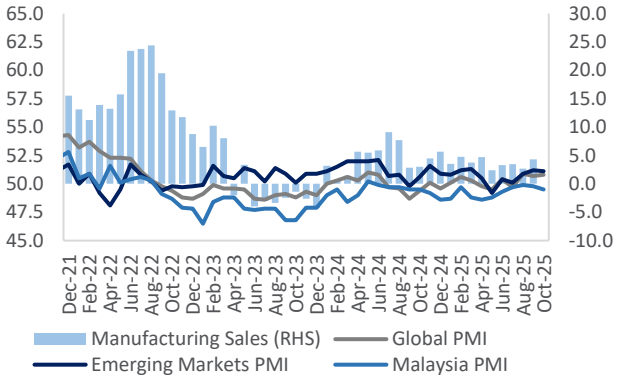
Source: Macrobond, MBSBR

Chart 3: IPI vs GDP (YoY%)



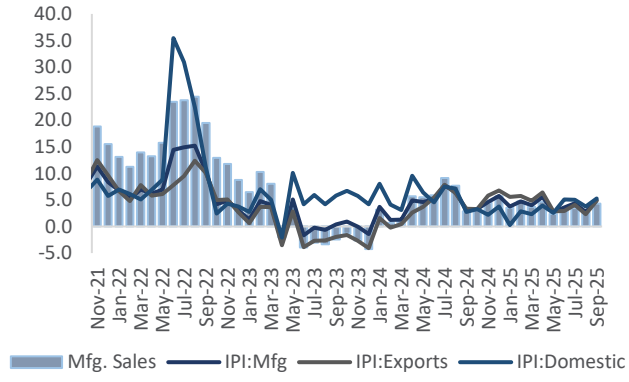
Note: GDP for 3QCY25 refers to advance estimate
Source: Macrobond, MBSBR

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



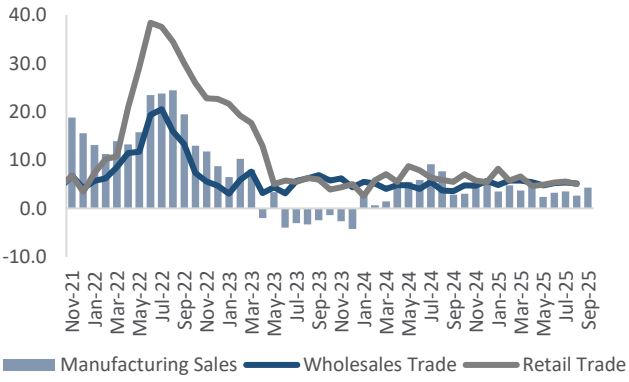
Source: Macrobond, MBSBR

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



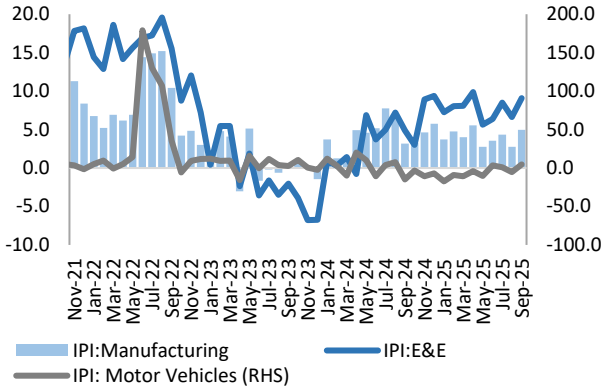
Source: DOSM, MBSBR

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



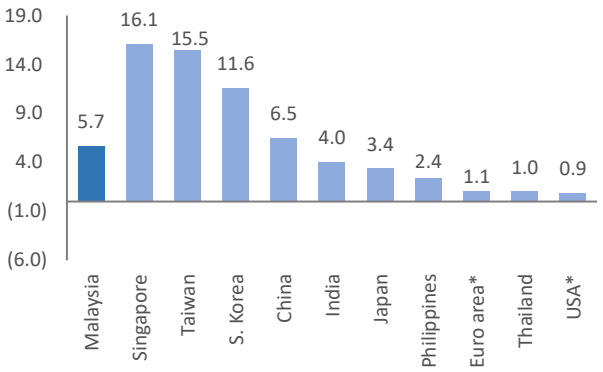
Source: DOSM, MBSBR

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



Source: Macrobond, MBSBR

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



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

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