

Malaysia Industrial Production

Rebound gains pace in June, tariff relief and domestic demand could lift 3Q25

- Industrial Production Index (IPI) rose by 3.0% YoY (May: 0.3%), marking a three-month high, and beating expectations (KIBB: 1.2%; consensus: 0.5%)**

- The expansion stemmed from stronger manufacturing output, a rebound in electricity production, and a moderation in mining sector weakness.
- MoM (7.6%; May: 1.1%): surged to a three-month high, exceeding long-term average for June (5.3%) supported by mining recovery and robust manufacturing performance.

- Manufacturing index expanded to 3.6% YoY (May: 2.8%), driven by solid growth in the Electrical & Electronic (E&E) output (6.4%; May: 5.6%)**

- **Domestic-oriented:** rose by 5.1% (May: 2.6%) supported by double-digit growth in food processing products (11.3%; May: 10.3%) and beverages (10.4%; May: 7.2%).
- **Export-oriented:** growth held steady at 2.9% (May: 2.9%), despite a second consecutive decline in gross manufacturing exports (-3.3%; May: -0.3%), weighed by ringgit's strength. Growth was underpinned by sustained gains in computers, electronics & optical products (5.9%; May: 6.0%) and a sharp pick up in electrical equipment (7.1%; May: 3.0%).
- MoM (6.9%; May: 3.8%): expanded for the second straight month, consistent with seasonal MoM trends.

- Mining index was relatively flat (-0.01%; May: -10.2%), stabilising after a steep drop in May.**

- Natural gas (2.3%; May: -16.6%) rebounded, partially offset by a deeper decline in crude petroleum & condensate (-3.2%; May: -1.6%) production.
- MoM (15.8%; May: -12.8%): rebounded sharply, ending two months of contraction.

- Electricity index (4.1%; May: -0.1%): rebounded to a 10-month high, ending five straight months of contraction**

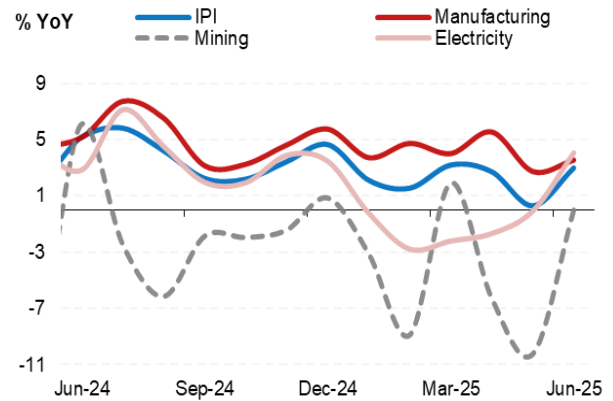
- MoM (-3.0%; May: 7.4%): returned to a contraction, reversing May's rebound.

- 2025 manufacturing growth forecast is maintained at 3.9% (2024: 4.3%) anchored by domestic strength**

- **Outlook:** Manufacturing output growth slowed to 3.9% in 2Q25 (1Q25: 4.2%) as QoQ growth rebounded modestly to 0.4% (1Q25: -2.2%), falling short of our earlier expectations. We had earlier anticipated stronger momentum due to frontloading, but growth may surprise to the upside in 3Q25, backed by July's manufacturing PMI, inching up to 49.7 (Jun: 49.3), signalling a gradual recovery. Export-oriented manufacturing could receive a temporary boost from Trump's favourable tariff decision on 1 August. However, fresh uncertainty emerge following his latest proposal to impose a 100.0% tariff on microchip and pharmaceutical imports. Meanwhile, domestic-oriented manufacturing is expected to stay resilient, supported by continued public spending and steady domestic demand.

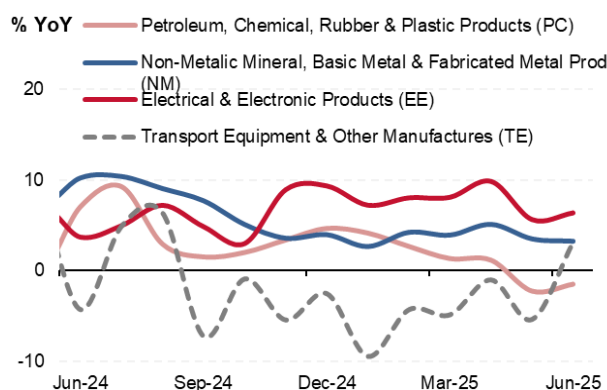
- **GDP Forecast:** Despite slower manufacturing growth in 2Q25, we maintain our 2Q25 GDP growth projection at 4.5% (1Q25: 4.4%) supported by services sector and domestic demand. However, ongoing weakness in mining may cap upside. Against this backdrop, we reaffirm our 2025 GDP growth forecast at 4.3% (2024: 5.1%).

Graph 1: Industrial Production Growth Trend



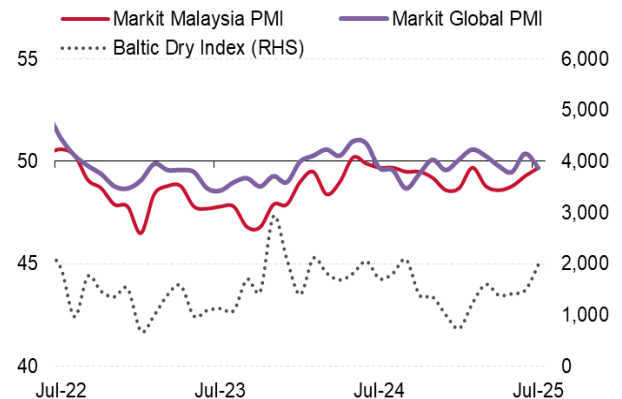
Source: Dept. of Statistics, Kenanga Research

Graph 2: Manufacturing Growth Trend by Sub-Sector



Source: Dept. of Statistics, Kenanga Research

Graph 3: Manufacturing PMI Trend



Source: S&P Global, Bloomberg, Kenanga Research

08 August 2025

Table 1: Malaysia Industrial Production Trend (2015=100)

	Weight		2022	2023	2024	Jun-24	Jan-25	Feb-25	Mar-25	Apr-25	May-25	Jun-25
IPI	100.0	% YoY	6.9	0.7	3.7	5.2	2.1	1.5	3.2	2.7	0.3	3.0
		% YoY SA	6.9	0.7	3.7	4.8	2.3	1.5	3.2	2.8	0.3	0.0
		% MoM				4.8	-0.4	-6.8	9.3	-8.0	1.1	7.6
		3mma				4.5	3.4	2.8	2.3	2.5	2.1	2.0
Manufacturing	68.3	% YoY	8.2	0.7	4.3	5.2	3.7	4.8	4.0	5.6	2.8	3.6
		% MoM				6.1	-0.2	-5.4	7.1	-6.9	3.8	6.9
		3mma				4.9	4.7	4.7	4.2	4.8	4.1	3.9
Domestic-Oriented		% YoY	10.9	4.9	5.1	4.6	0.2	2.9	2.3	3.9	2.6	5.1
		% MoM				-5.4	1.3	-4.8	1.3	0.3	1.0	-3.1
Export-Oriented		% YoY	7.0	-1.1	4.0	5.4	5.6	5.7	4.8	6.4	2.9	2.9
		% MoM				11.8	-0.9	-5.6	10.1	-10.2	5.3	11.9
Mining	25.1	% YoY	2.9	0.2	0.7	6.1	-3.1	-8.9	1.9	-6.3	-10.2	-0.01
		% MoM				4.0	-0.5	-12.5	17.8	-13.9	-12.8	15.8
Electricity	6.6	% YoY	4.5	2.0	5.4	2.8	-0.2	-2.8	-2.2	-1.7	0.4	4.1
		% MoM				-6.8	-2.0	-6.6	11.8	-3.2	7.9	-3.0

Source: Dept. of Statistics, Kenanga Research, 3mma = 3-month moving average (YoY growth)

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