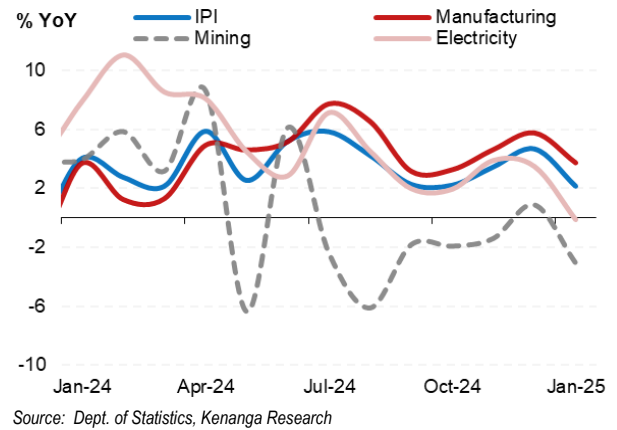


Malaysia Industrial Production

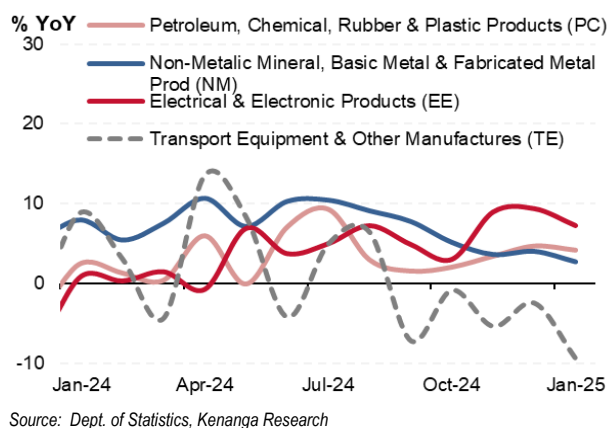
Growth hit 19-month low in January on a broad-based slowdown

- Industrial Production Index (IPI) moderated to a 19-month low of 2.1% YoY (Dec 24: 4.6%), matching the house forecast but below consensus of 2.7%**
 - Lower export-oriented manufacturing output, persistent mining sector weakness, and a decline in electricity output weighed on overall performance.
 - MoM (-0.4%; Dec 24: -0.4%): contracted for the second straight month.
- Manufacturing index slowed (3.7% YoY; Dec 24: 5.8%) to a three-month low on weak export-oriented sector**
 - Domestic-oriented:** Expanded (4.7%; Dec 24: 3.7%) to a five-month high, driven by higher output of tobacco products (20.3%; Dec 24: 7.5%), followed by fabricated metal products (16.6%; Dec 24: 6.0%) and non-metallic mineral products (10.4%; Dec 24: 3.5%).
 - Export-oriented:** Growth moderated sharply (0.4%; Dec 24: 6.8%) to an eleven-month low, in line with January's export slump (0.3%; Dec 24: 16.9%). This was due to a decline in production of computer, electronics & optical products (0.1%; Dec 24: 10.1%), followed by weaker production of vegetable & animal oils and fats (-7.2%; Dec: 5.3%), machinery & equipment (-7.7%; Dec 24: 8.3%), plastic products (-2.6%; Dec 24: 5.2%), wood & products of wood (-2.4%; Dec 24: 6.2%) and textiles (-1.8%; Dec 24: 2.1%).
 - MoM (-0.2%; Dec 24: -1.5%): contracted for the second straight month, though at a smaller rate.
- Mining index fell sharply (-3.1%; Dec 24: 0.9%) to a five-month low**
 - Reason:** sharp fall in crude petroleum output (-10.0%; Dec 24: -6.5%), and moderate growth in natural gas (1.4%; Dec 24: 5.9%) output.
 - MoM (-0.5%; Dec 24: 4.0%): fell marginally, after four consecutive months of MoM expansion.
- Electricity index (-0.1%; Dec 24: 3.5%) fell for the first time in 21 months**
 - MoM (-1.9%; Dec 24: 1.0%): declined to a two-month low.
- Manufacturing index is projected to expand by 4.7% in 2025 (2024: 4.4%) despite global uncertainty**
 - Outlook:** We continue to expect manufacturing index growth to expand this year, supported by the low base effect from early part of 2024, an ongoing tech upcycles, and resilient domestic demand, aided by a steady labour market and record-high government spending under Budget 2025. The realisation of record high approved investment recorded last year may also boost manufacturing output by increasing production capacity.
 - Risk:** Nevertheless, our outlook remains susceptible to downside risks, mainly associated with the impact of an escalating global trade war due to shifts in the US trade policy. However, we still believe the impact would be minimal as Malaysia could benefit from trade and investment diversion given its favourable trade and investment policies. A weaker-than-expected recovery in China's economy may also dampen our trajectory.
 - GDP Forecast:** Likewise, we forecast 2025 GDP growth at 4.8% (2024: 5.1%), reflecting a growth moderation due to last year's high base, normalising domestic economic activity, and global economic uncertainty amid the ongoing global trade war.

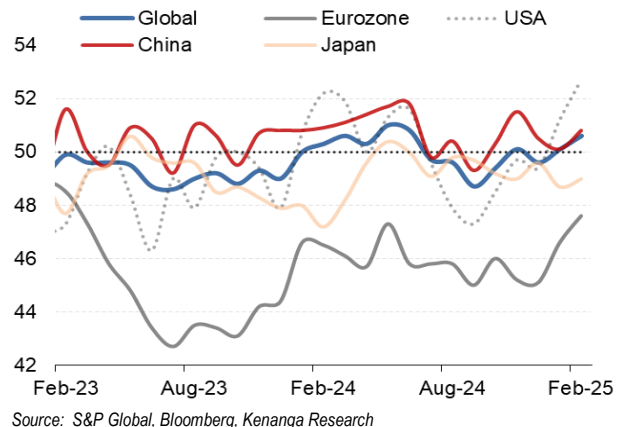
Graph 1: Industrial Production Growth Trend



Graph 2: Manufacturing Growth Trend by Sub-Sector



Graph 3: Manufacturing PMI Trend



13 March 2025

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

	Weight		2022	2023	2024	Jan-24	Jul-24	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24	Jan-25
IPI	100.0	% YoY	6.9	0.7	3.7	4.0	5.8	4.2	2.2	2.2	3.4	4.6	2.1
		% YoY SA	6.9	0.7	3.7	4.5	5.1	4.2	2.3	2.2	3.4	4.7	2.3
		% MoM				2.1	-1.5	1.7	-0.8	1.8	0.6	-0.4	-0.4
		3mma				1.5	4.5	5.1	4.1	2.9	2.6	3.4	3.4
Manufacturing	68.3	% YoY	8.2	0.7	4.3	3.7	7.7	6.5	3.2	3.3	4.6	5.8	3.7
		% MoM				1.8	-2.0	4.0	-1.1	-1.2	1.0	-1.5	-0.2
		3mma				0.7	5.8	6.5	5.8	4.3	3.7	4.5	4.7
Domestic-Oriented		% YoY	10.9	4.9	4.8	3.5	7.5	7.1	2.7	3.3	2.2	3.7	4.7
		% MoM				0.4	1.0	6.1	0.1	-0.9	2.6	0.4	1.3
Export-Oriented		% YoY	7.0	-1.1	4.4	6.8	7.8	6.3	3.4	3.3	5.8	6.8	0.4
		% MoM				5.4	-3.3	3.0	-1.6	-1.4	0.3	-2.4	-0.9
Mining	25.1	% YoY	2.9	0.2	0.7	3.9	-2.4	-6.1	-1.8	-1.9	-1.4	0.9	-3.1
		% MoM				3.6	-2.1	-6.9	2.8	14.7	0.2	4.0	-0.5
Electricity	6.6	% YoY	4.5	2.0	5.4	7.9	7.1	4.5	2.0	1.9	3.9	3.5	-0.1
		% MoM				1.7	6.2	-1.7	-5.9	5.5	-3.9	1.0	-1.9

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

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