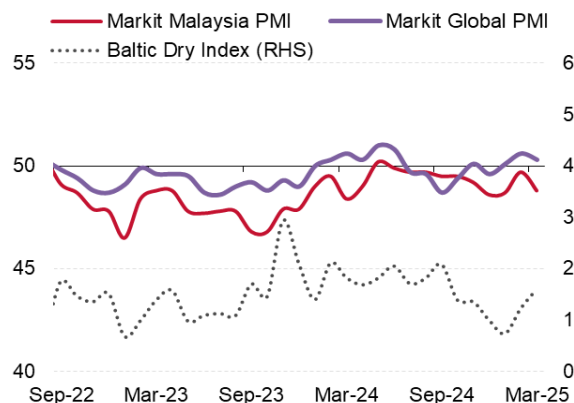


# Malaysia Manufacturing PMI

Output softens in March; Trump’s reciprocal tariff adds to uncertainty

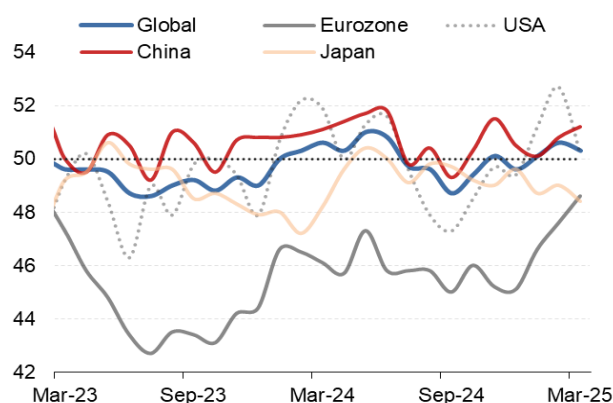
- The Manufacturing Purchasing Managers' Index (PMI) fell to 48.8 (Feb: 49.7), and remained below the neutral level for the tenth straight month**
  - The latest reading, below 50.0 since June 2024, indicates a slight moderation in the health of the manufacturing sector due to weak demand.
- Demand weakness dragged orders and output**
  - Firms scaled back new orders, reversing the improvement seen in February. The decline was modest but marked the sharpest drop in a year.
  - Export orders moderated, weighed mainly by global trade uncertainty.
  - Production eased, with the pace of slowdown slightly higher than the previous month.
- Input cost eased, but selling prices held steady**
  - Input costs eased to the lowest level in 2025. However, overall inflation remained modest and well below the historical average, driven by higher raw material costs and a weaker exchange rate.
  - Despite the lower cost, firms kept selling prices unchanged, but some firms passed savings on to customers.
- Optimism eased amid demand uncertainty, employment continued to decline**
  - Overall confidence fell to the lowest level since August 2023, due to concerns over the timing of demand recovery.
  - Employment levels declined for the sixth straight month, reflecting weak demand conditions and the non-replacement of voluntary leavers.
- Mixed manufacturing conditions among leading regional economies**
  - China (51.2; Feb: 50.8): Caixin manufacturing PMI rose to a four-month high amid higher exports and employment.
  - Japan (48.4; Feb: 49.0): declined at the fastest pace in 12 months due to weak demand.
- Outlook: trade risks loom as Trump’s reciprocal tariff adds external headwinds**
  - Trump's reciprocal tariff:** On April 2, 2025, President Trump announced a series of reciprocal tariffs aimed at countering what he perceives as unfair trade practices by other nations. This new policy will impose tariffs on imports equivalent to half the rates those countries levied on US goods with a baseline tariff of 10% set for most countries. Specific nations will face higher rates such, as China (34%), the EU (20%), Vietnam (46%) and Taiwan (32%). Malaysia will be affected by these tariffs, with a 24% duty imposed on its exports to the US. Notably, key US trading partners, including China, the EU, and Canada, have signalled upcoming potential retaliatory measures. These developments could heighten trade tensions and disrupt global supply chains, posing downside risks to external-oriented economies like Malaysia if tensions escalate.
  - Manufacturing sector:** Malaysia’s manufacturing sector contributed 23.2% to GDP in 2024 (2023: 23.4%), valued at RM381.9b. A significant portion came from export-oriented industries, notably electrical & electronics (E&E), petroleum, chemical, rubber, and plastic products. The sector benefited from trade and investment diversion during the MAGA 1.0 period with growth averaging 4.9% (2017-2019), but experienced a sharp decline in 2020, contracting by 2.7% due to the impact of the COVID-19 pandemic. Risks are rising amid growing uncertainty surrounding Trump's latest trade policies.
  - GDP growth forecast:** Despite rising external uncertainty, we maintain the 2025 GDP growth forecast at 4.8% (2024: 5.1%) for now, as we believe growth will be supported by domestic-oriented sectors, led by services, construction, and manufacturing sectors, and resilient domestic demand underpinned by higher household incomes and rising tourist arrivals. Furthermore, Malaysia’s diversified export products and investor-friendly trade and investment policies, efforts to increase regional trade, as well as ongoing tech upcycle and rising demand for Artificial intelligence (AI)-related products may provide some cushion.

Graph 1: Global & Malaysia Manufacturing PMI



Source: Dept. of Statistics, Bloomberg, S&P Global, Kenanga Research

Graph 2: Global PMI Trend



Source: Bloomberg, S&P Global, Kenanga Research

03 March 2025

Table 2: Malaysia PMI Trend

	2022	2023	2024	Sep-24	Oct-24	Nov-24	Dec-24	Jan-25	Feb-25	Mar-25
<b>S&amp;P Malaysia PMI</b>	47.8	47.9	48.6	49.5	49.5	49.2	48.6	48.7	49.7	48.8
New Orders*				Down	Up	Down	Down	Down	Up	Down
Output*				Down	Down	Down	Down	Down	Down	Down
Employment*				Up	Down	Down	Down	Down	Down	Down
Stocks of Purchases*				Down	Down	Down	Down	Down	Down	Down
<b>S&amp;P Global PMI</b>	48.6	49.0	49.6	48.7	49.4	50.1	49.6	50.1	50.6	50.3
<b>Baltic Dry Index</b>	1,515	2,094	997	2,084	1,388	1,354	997	735	1,229	1,598
<b>DoS Leading Index (% YoY)</b>	1.0	-0.9	3.2	2.6	2.5	2.8	3.4	0.4	N/A	N/A

Source: PMI by S&P Global, Bloomberg, Dept. of Statistics, Kenanga Research

\*The "Up/Down/Flat" movements for sub-indicators are based on S&P Global own reports. Detailed and historical data are available on a subscription basis only. O

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