

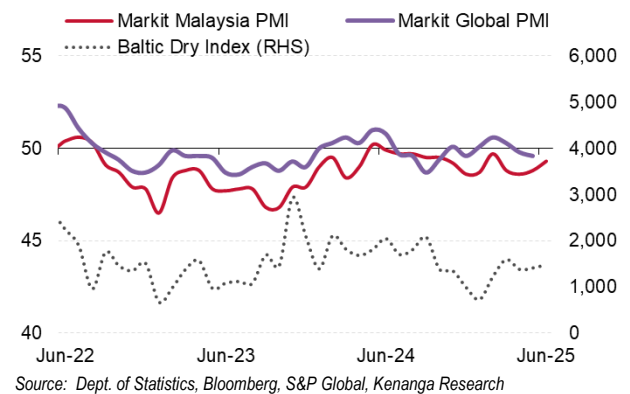
01 July 2025

Malaysia Manufacturing PMI

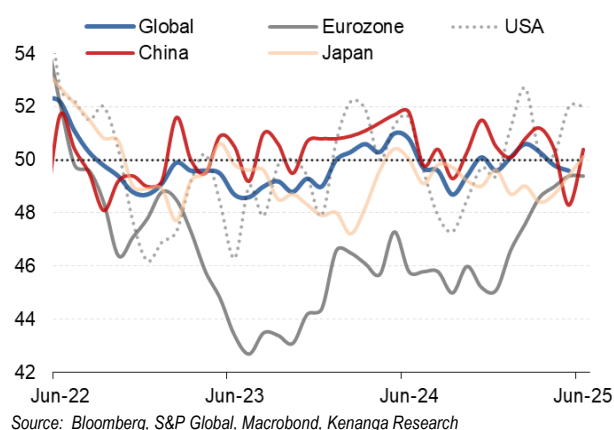
Hit four-month high in June, but stuck below 50 and remained in contraction

- The Manufacturing Purchasing Managers' Index (PMI) rose to 49.3 in June (Apr: 48.8), remaining below the neutral 50.0 threshold for the 13th consecutive month since June 2024**
 - June's reading signals a slight deterioration in manufacturing conditions at the end of 2Q25. The average PMI stood at 48.9 in 2Q25 (1Q25: 49.1) suggesting that Manufacturing GDP growth is likely to remain stable.
- Subdued demand continued to weigh on orders, output, and inventory**
 - Total new orders declined for the fourth straight month due to subdued client confidence. However, the pace of decline eased, supported by a smaller drop in new export orders. Some firms reported a gradual improvement in demand.
 - Finished goods inventories fell again, indicating firms continued relying on existing stock to fulfil incoming orders.
- Input cost rose, pushing inflation to its highest level since August 2024**
 - Input prices increased moderately due to unfavourable exchange rates fluctuations and higher raw material costs.
 - Output charges rose for the first time in six months, also hitting the highest level since August 2024.
- Business sentiment and employment showed signs of improvement**
 - Business confidence improved slightly, although it remained below the long-run average. Firms expect new product launches to stimulate sales and production, but concerns over the global economy persist.
 - Employment rose for the first time in nine months, helping reduce backlogs.
- Manufacturing conditions returned to expansion in key regional economies**
 - China (50.4; May: 48.3): Caixin Manufacturing PMI returned to expansion, driven by strong new orders.
 - Japan (50.1; May: 49.4): PMI edged into positive territory, ending an 11-month contraction on the back of higher output.
- Outlook: External uncertainties continue to cloud manufacturing sector**
 - Manufacturing outlook:** June's PMI reading came in below our expectation, as we expect frontloading activity ahead of Trump's July reciprocal tariff deadline to lift export-oriented manufacturing. Still, we maintain a view of a gradual recovery toward year end, backed by the ongoing technology upcycle fuelled by rising demand for 5G and AI as well as new product launches.
 - GDP growth forecast:** We maintain our GDP growth forecast at 4.3% (2024: 5.1%) underpinned by resilient domestic demand and strength in domestic-oriented sub-sectors. However, we adopt a cautious outlook for 2H25, as ongoing domestic policy reforms may dampen consumer and business sentiment, though they remain essential for strengthening fiscal repair and shock resilience. Meanwhile, external risks from US tariff policies and global geopolitical tensions continue to pose downside risks to our growth projection.

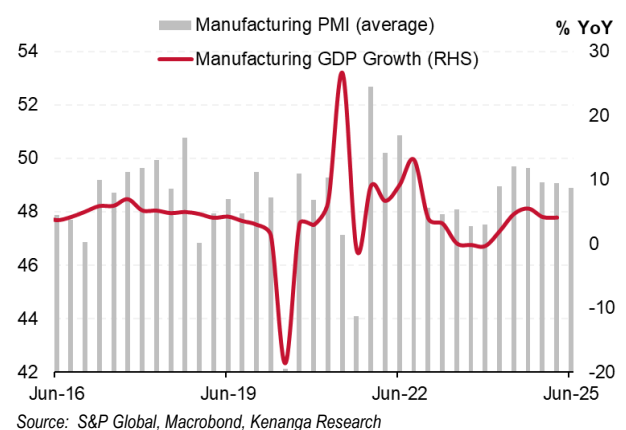
Graph 1: Global & Malaysia Manufacturing PMI



Graph 2: Global PMI Trend



Graph 3: Manufacturing PMI vs Manufacturing GDP



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Table 2: Malaysia PMI Trend

	2022	2023	2024	Dec-24	Jan-25	Feb-25	Mar-25	Apr-25	May-25	Jun-25
S&P Malaysia PMI	47.8	47.9	48.6	48.6	48.7	49.7	48.8	48.6	48.8	49.3
New Orders*				Down	Down	Up	Down	Down	Down	Down
Output*				Down	Down	Down	Down	Down	Down	Down
Employment*				Down	Down	Down	Down	Down	Down	Up
Stocks of Purchases*				Down	Down	Down	Down	Down	Down	Down
S&P Global PMI	48.6	49.0	49.6	49.6	50.1	50.6	50.3	49.8	49.6	N/A
Baltic Dry Index	1,515	2,094	997	997	735	1,229	1,598	1,386	1,418	1,489
DoS Leading Index (% YoY)	1.0	-0.9	3.2	3.4	0.4	0.1	0.7	0.5	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.

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