

# Malaysia Manufacturing PMI

A brief respite in February amid trade risks

- **The Manufacturing Purchasing Managers' Index (PMI) inched up to 49.7 (Jan: 48.7), a six-month high but still in contraction**

- Nevertheless, the latest reading indicates that the index is moving towards stabilisation, supported by rising new orders and improved confidence.

- **Production remains weak, but domestic demand provides some support**

- New orders rose for the first time since October last year thanks to improved domestic demand. However, some companies reported that client confidence remained weak.
- Export orders fell for the third straight month due to subdued demand from the Asia-Pacific region.
- Production declined for the ninth straight month, leading to lower purchasing activity, input stocks and inventories.

- **Firms cut prices for the second straight month despite rising costs**

- Input costs increased due to higher raw material prices and exchange rate fluctuations. Despite cost pressures, firms slashed selling prices for second straight month, though only slightly.

- **Optimism reached a four-month high, but employment declines**

- Sentiment hit four-month high, with firms expecting sustained demand over the next 12 months.
- Employment levels fell for the fifth month, though the pace of job cuts remained unchanged from January.

- **Mixed manufacturing performance among leading regional economies in February**

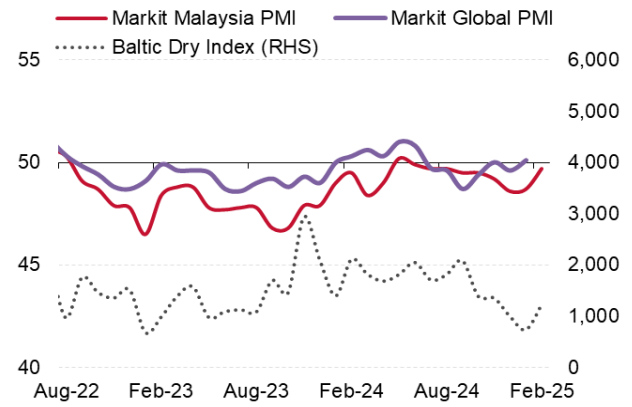
- China (50.8; Jan: 50.1): official manufacturing PMI accelerated, signalling higher production activities following business post-Chinese New Year holidays.
- Japan (49.0; Jan: 48.7): edged up slightly but remained in contraction for the eighth straight month.

- **Outlook: domestic demand and tech upcycle to support growth, but trade risks loom and may cloud 2H25 outlook**

- **External factors:** Malaysia's manufacturing sector faces downside risks due to its high trade exposure and global supply chain dependencies. The US trade policy under President Trump adds uncertainty. A 25% additional tariff on Canadian and Mexican imports, and another 10% on Chinese imports from China will take effect on March 4, with a reciprocal tariff due in April. However, we believe that Malaysia is expected to see minimal impact, benefitting from the global tech upcycle and rising demand for Artificial intelligence (AI)-related products. Malaysia's diversified export products and investor-friendly trade and investment policies would provide some cushion.

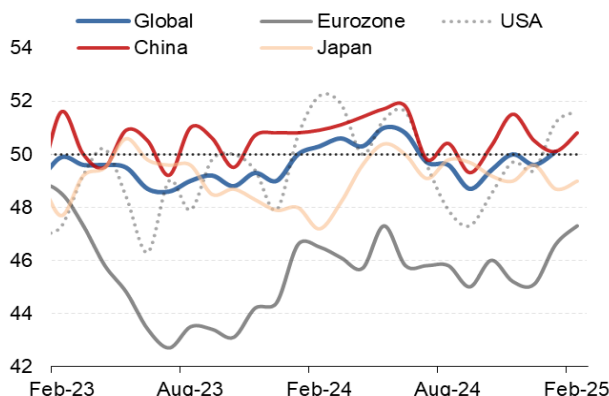
- **GDP growth forecast:** 2025 GDP growth forecast remains at 4.8% (2024: 5.1%), reflecting slight moderation amid geopolitical risks and rising trade protectionism. However, growth will be supported by services, manufacturing and construction sectors, alongside resilient domestic demand.

Graph 1: Global & Malaysia Manufacturing PMI



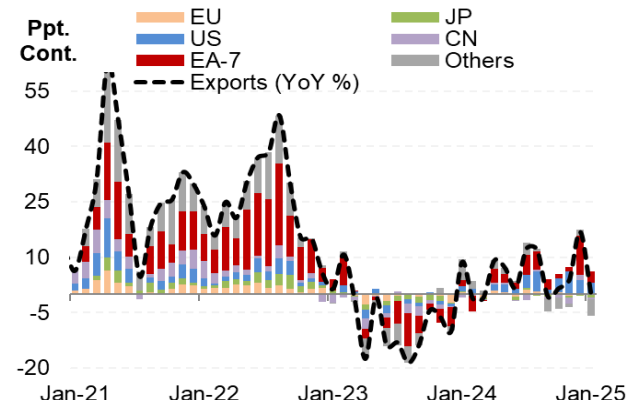
Source: Dept. of Statistics, Bloomberg, S&P Global, Kenanga Research

Graph 2: Global PMI Trend



Source: Bloomberg, S&P Global, Kenanga Research

Graph 3: Malaysia's Exports by Destination



Source: Dept. of Statistics, Kenanga Research

03 March 2025

**Table 2: Malaysia PMI Trend**

	2022	2023	2024	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24	Jan-25	Feb-25
<b>S&amp;P Malaysia PMI</b>	47.8	47.9	48.6	49.7	49.5	49.5	49.2	48.6	48.7	49.7
New Orders*				Down	Down	Up	Down	Down	Down	Up
Output*				Down	Down	Down	Down	Down	Down	Down
Employment*				Down	Up	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	49.6	48.7	49.4	50.0	49.6	50.1	N/A
<b>Baltic Dry Index</b>	1,515	2,094	997	1,814	2,084	1,388	1,354	997	735	1,229
<b>DoS Leading Index (% YoY)</b>	1.0	-0.9	N/A	4.1	1.8	1.7	2.5	3.1	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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