

S&P Global Malaysia Manufacturing PMI[®]

Softer moderation in output amid renewed rise in new orders

Headline PMI reaches highest since last August

New orders increase for first time in four months

Confidence strengthens to four-month high

Business conditions in the Malaysian manufacturing sector moved closer to stabilisation midway through the first quarter of the year. Firms recorded a rise in new order intakes for the first time in four months during February, which contributed to a softer moderation in production volumes.

As a result, firms reduced purchasing activity to a lesser extent than seen in January, while employment levels were scaled back fractionally at a rate unchanged from January. Business confidence, meanwhile, also picked up during the month, reaching the highest level since last October. Input price inflation remained little-changed from the start of the year, while firms signalled a further reduction in output charges.

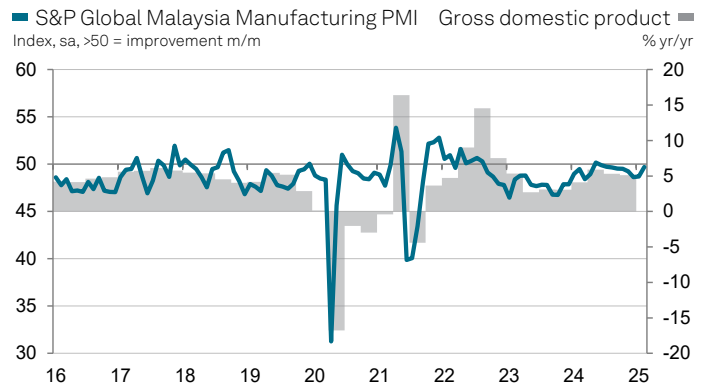
The seasonally adjusted S&P Global Malaysia Manufacturing Purchasing Managers' Index™ (PMI[®]) posted 49.7 in February, up from 48.7 in January. Coming in only fractionally below the neutral 50.0 threshold, the index signalled that business conditions moved closer to stabilisation over the course of the month. In fact, the PMI was at its highest reading since last August.

The latest PMI reading remains consistent with modest growth in official GDP statistics for the first quarter of 2025, sustaining the trend seen in the third and fourth quarters of last year. The data also suggested that the expansion in manufacturing production continued into 2025.

New orders increased for the first time since last October in the latest survey period. While only fractional, the rate of growth was the most pronounced since May 2024. Where an increase was recorded, firms mentioned a gradual improvement in demand; however, other companies noted that client confidence remained broadly subdued.

Data suggested that the increase in overall new business partly reflected domestic sales growth, as new export orders declined for the third consecutive month, with sales especially muted in the Asia-Pacific region.

Despite the expansion in order books, production levels at Malaysian manufacturers were scaled back for the ninth month in a row. The rate of moderation was only modest and the softest seen in six months. Goods producers continued to highlight subdued conditions.



Data were collected 10-24 February 2025.
Sources: S&P Global PMI, Department of Statistics Malaysia via S&P Global Market Intelligence. ©2025 S&P Global.

Comment

Usamah Bhatti, Economist at S&P Global Market Intelligence, said:

"February data indicated improving trends for the Malaysian manufacturing sector, although conditions remained generally challenging. Most encouragingly, firms were able to secure greater volumes of new work for the first time in four months; however, there were still reports that demand remained largely muted. As a result, production and employment were scaled back, though only marginally.

"Cost inflation also remained subdued compared to the series average and was little-changed from that observed in January. This allowed firms to reduce selling prices for the second consecutive month.

"The outlook for the coming months appears brighter, as firms are hopeful that the renewed increase in new orders will be sustained and accelerate, leading to an eventual recovery in production levels."

Staffing levels were lowered fractionally in February, with the latest round of job shedding unchanged from January.

A focus on completing outstanding business meant that backlogs of work moderated for the seventh consecutive month. The latest depletion was the most marked since March 2024.

Subdued operating conditions meant Malaysian goods producers showed little appetite to hold extra items in stock midway through the first quarter. That said, purchasing activity, stocks of inputs, and post-production inventories were all scaled back at softer rates in February. Firms also mentioned that difficulties in sourcing inputs had eased slightly, as delivery times lengthened only marginally.

Higher raw material costs and unfavourable exchange rate fluctuations resulted in a further increase in input prices. The rate of inflation was modest, and little-changed from that seen at the start of the year. Concurrently, firms opted to lower their selling prices for the second consecutive month, albeit only fractionally.

New order growth is expected to be sustained over the coming year, supporting optimism regarding the 12-month outlook for manufacturing production. The degree of positive sentiment was solid, reaching the highest level recorded in four months.

Methodology

The S&P Global Malaysia Manufacturing PMI® is compiled by S&P Global from responses to questionnaires sent to purchasing managers in a panel of around 400 manufacturers. The panel is stratified by detailed sector and company workforce size, based on contributions to GDP. Data collection began in July 2012.

Survey responses are collected in the second half of each month and indicate the direction of change compared to the previous month. A diffusion index is calculated for each survey variable. The index is the sum of the percentage of 'higher' responses and half the percentage of 'unchanged' responses. The indices vary between 0 and 100, with a reading above 50 indicating an overall increase compared to the previous month, and below 50 an overall decrease. The indices are then seasonally adjusted.

The headline figure is the Purchasing Managers' Index™ (PMI). The PMI is a weighted average of the following five indices: New Orders (30%), Output (25%), Employment (20%), Suppliers' Delivery Times (15%) and Stocks of Purchases (10%). For the PMI calculation the Suppliers' Delivery Times Index is inverted so that it moves in a comparable direction to the other indices.

Underlying survey data are not revised after publication, but seasonal adjustment factors may be revised from time to time as appropriate which will affect the seasonally adjusted data series.

For further information on the PMI survey methodology, please contact economics@spglobal.com.

Using PMI to estimate growth

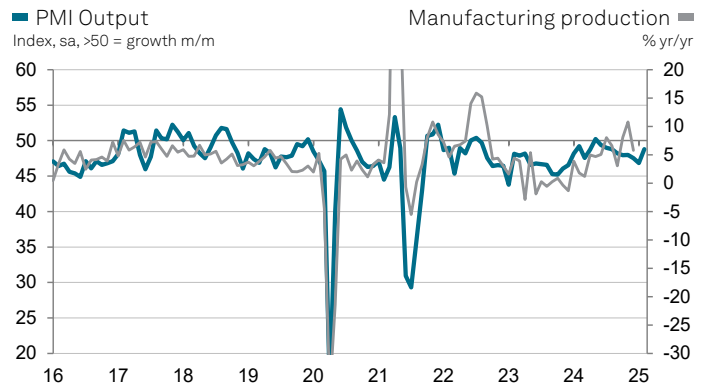
PMI data are available faster than official GDP figures and at a higher frequency, providing an accurate advance guide to economic growth. Comparing the headline Malaysia Manufacturing PMI with annual GDP growth rates shows a correlation of 60%, with the PMI acting as a coincident indicator of economic growth. Using the average of PMI Output Index for each calendar quarter lifts this correlation to 74%.

With this correlation as the basis of PMI-implied GDP growth rates, we can build a simple OLS regression model where the annual rate of change in GDP is explained by a single variable: the headline Malaysia manufacturing PMI. The model therefore allows us to estimate GDP using the following formula:

$$\text{Annual \% change in GDP} = (\text{PMI} \times 0.287) - 8.99$$

Using this formula, a headline PMI reading of 31.4 is comparable to a zero annual growth rate of GDP. Each index point above (below) is roughly the same as 0.3 percentage points of GDP growth (decline) such that:

$$\text{PMI} = 40, \text{GDP \%yr/yr} = 2.5; \text{PMI} = 50, \text{GDP \%yr/yr} = 5.3; \text{PMI} = 60, \text{GDP \%yr/yr} = 8.2$$



Sources: S&P Global PMI, Department of Statistics Malaysia via S&P Global Market Intelligence. ©2025 S&P Global.

Contact

Usamah Bhatti
Economist
S&P Global Market Intelligence
T: +44-1344-328-370
usamah.bhatti@spglobal.com

SungHa Park
Corporate Communications
S&P Global Market Intelligence
T: +81 3 6262 1757
sungha.park@spglobal.com
press.mi@spglobal.com

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PMI by S&P Global

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