News Release
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S&P Global Malaysia Manufacturing PMI®

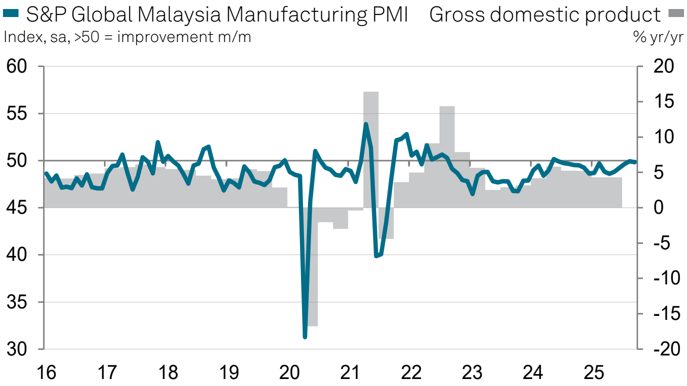
New orders rise in consecutive months for first time in 15 months

September 2025

Output scaled back fractionally

Slowest rise in input costs since April

Business sentiment reaches highest for seven months



Data were collected 11-24 September 2025.
Sources: S&P Global PMI, Department of Statistics Malaysia via S&P Global Market Intelligence. ©2025 S&P Global.

Malaysia's manufacturing sector conditions were broadly unchanged at the end of the third quarter, as firms recorded a sustained rise in new orders but a renewed slowdown in production.

While the rate of growth in sales was only marginal, September marked the first time since June 2024 that new orders have risen in consecutive months. Firms were also buoyed by a softer rise in operating expenses, with input price inflation at a five-month low amid softer raw material price pressure. Moreover, businesses were increasingly confident regarding the year-ahead outlook, with business sentiment strengthening from that seen in August.

The seasonally adjusted S&P Global Malaysia Manufacturing Purchasing Managers' Index™ (PMI®) edged down from 49.9 in August to 49.8 in September to signal broadly unchanged operating conditions. While below the neutral 50.0 mark separating growth from contraction, the latest data suggested that GDP growth in the third quarter ticked up slightly from that seen in the previous quarter, as well as pointing to sustained year-on-year improvements in official manufacturing production data.

Total new orders rose for the second successive month during September, albeit at a softer pace than that seen in August. Where new orders rose, firms mentioned new project launches and higher client confidence, notably in the domestic economy. The expansion in overall new business was recorded in spite of a first moderation of new export orders in three months amid reports from panellists of muted demand in key markets including the US, Europe and the Asia-Pacific region.

The rise in new orders also placed some strain on operating capacity, with companies citing an unchanged level of backlogs of work, ending a 13-month sequence of depletion. Other manufacturers mentioned that falling employment had placed pressure on remaining capacity. Staffing levels have now fallen in each of the last three months.

Production levels meanwhile were subdued in the latest survey period, with the seasonally adjusted Output Index falling just below the neutral 50.0 mark. Firms also mentioned that completed goods often went unsold and were therefore

Comment

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

"PMI data for September revealed broadly similar business conditions in the Malaysian manufacturing sector throughout the third quarter of 2025. September brought with it back-to-back increases in new order intakes, the first instance of this in over a year. This was caveated by a renewed, albeit fractional moderation in production volumes. That said, the data indicated that GDP growth is likely to have picked up slightly in the third quarter.

"Manufacturing firms also reported a softening in cost burdens, with average input costs rising at the slowest pace in five months amid some reports of lower raw material prices.

"Sentiment strengthened from that seen in August meanwhile, with firms expecting higher output in the coming year. Moreover, the degree of confidence was the highest since February, as companies cited improved economic conditions and new product launches as key factors behind optimism."

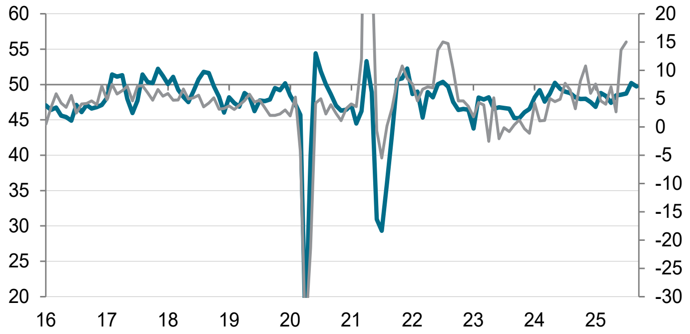
held in stock. As a result, stocks of finished goods were unchanged, ending a 38-month sequence of falling post-production inventory levels.

Malaysian goods producers noted a softer increase in operating expenses during September. The latest uptick in input prices was only mild, and the softest recorded in five months. While some companies mentioned the impact of higher taxation, this was partially offset by lower raw material prices. In response, firms recorded no change in prices charged in September, ending a three-month sequence of rising prices.

Purchasing levels were raised at a stronger rate at the end of the third quarter. The pace of accumulation was modest, but the most pronounced since April 2022. At the same time, holdings of pre-production inventories fell amid reports that firms utilised both new purchases and stocks of inputs in production processes.

Manufacturers also commented on a deterioration in vendor performance for the third time in four months in September. The lengthening of lead times was only marginal, but attributed to port congestion and shipping delays.

Finally, sentiment in the Malaysian manufacturing sector was positive during September. Hopes of stronger demand conditions and new product launches underpinned predictions of output growth in the coming year. The level of optimism also rose to the highest since February and was solid overall.



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

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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.

PMI by S&P Global

Purchasing Managers' Index™ (PMI®) surveys are now available for over 40 countries and also for key regions including the eurozone. They are the most closely watched business surveys in the world, favoured by central banks, financial markets and business decision makers for their ability to provide up-to-date, accurate and often unique monthly indicators of economic trends. www.spglobal.com/marketintelligence/en/mi/products/pmi

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:

Annual % change in GDP = (PMI x 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:

PMI = 40, GDP %yr/yr = 2.5; PMI = 50, GDP%yr/yr = 5.3; PMI = 60, GDP %yr/yr = 8.2

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