

S&P Global Malaysia Manufacturing PMI®

Business conditions move closer to stabilisation amid softer fall in new orders

July 2025

New orders ease to smallest extent in five months

Renewed rises in exports and purchases of inputs

Confidence regarding year ahead strengthens

July saw the moderation in the Malaysian manufacturing sector soften as demand conditions moved towards stabilisation.

New order inflows softened only fractionally at the start of the third quarter, which was in part due to the first rise in new export sales since last November. As a result, firms noted that the moderation in production volumes eased to the softest for five months. The less pronounced slowdowns in new orders and output encouraged firms to raise input purchases for the first time in three years, while employment levels were broadly stable. Moreover, confidence regarding the year ahead gathered strength, with the overall degree of optimism reaching the most pronounced since February.

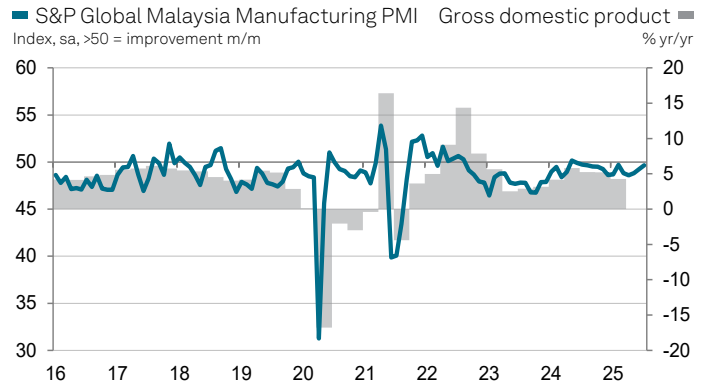
The seasonally adjusted S&P Global Malaysia Manufacturing Purchasing Managers' Index™ (PMI®) rose from 49.3 in June to 49.7 in July. The reading signalled the softest moderation in the health of the sector for five months.

The historical relationship between the PMI and official GDP data suggests that the third quarter of the year got off to a solid start with growth in GDP continuing. The data are also consistent with an increase in official manufacturing production on an annual basis.

New orders moved closer towards stabilising at the start of the third quarter. The respective seasonally adjusted index was only fractionally below the neutral 50.0 threshold, and indicative of the slowest reduction in sales in the current five-month sequence. The move towards neutrality was in part due to a renewed rise in new export orders, which increased for the first time in eight months.

In line with the trend for total new orders, production softened at a mild rate, and one that was the least pronounced since February. Firms often mentioned that muted local demand conditions had continued to weigh on output levels.

Latest data signalled a renewed increase in purchasing activity. The expansion was marginal, but the first instance of growth for exactly three years and the strongest since April 2022. Anecdotal evidence pointed to tentative signs of improving demand conditions as providing encouragement for additional purchases. Concurrently, stocks of both inputs



Data were collected 10-25 July 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:

"Malaysian manufacturers saw pressure on operating conditions soften at the start of the second half of 2025, as the latest PMI data signalled that the sector moved towards stabilisation. New orders were only fractionally lower than in June, owing in part to an expansion in export sales for the first time in eight months. As such, production levels were scaled back at a softer pace.

"Employment levels were broadly unchanged on the month in July, while there was an uptick in purchasing activity for the first time in exactly three years, and one that was the most pronounced since April 2022.

"Confidence in the year ahead outlook also gathered momentum during July, with the level of optimism reaching its highest since February. Firms pinned their hopes on a broad-based demand and economic recovery, notably in the domestic market."

and finished goods were held broadly stable at the start of the third quarter. Increased demand for inputs meanwhile saw firms experience longer delivery times during July amid reports of shipping delays. Lead times lengthened marginally, but to the greatest extent for six months.

Employment was also reduced fractionally during July, following a marginal increase in June. Despite this, there was little evidence of capacity pressures as Malaysian manufacturers recorded a further moderation in backlogs of work. The rate of depletion picked up compared to the previous month and was the steepest since February. Anecdotal evidence suggested that firms looked to complete existing orders amid muted demand conditions.

The rate of input cost inflation accelerated for the third month running in July, reaching the highest level since November 2024. The rise in cost burdens was commonly linked to higher raw material prices and a weaker exchange rate. At the same time, prices charged for Malaysian manufactured goods rose modestly, with some firms mentioning that material price rises and currency fluctuations were reflected in selling prices. The rate of charge inflation was little-changed on the month, however.

Hopes for an improvement in market demand were key to optimism regarding the 12-month outlook for output at the start of the third quarter. The overall level of confidence strengthened from June and was the highest for five 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.

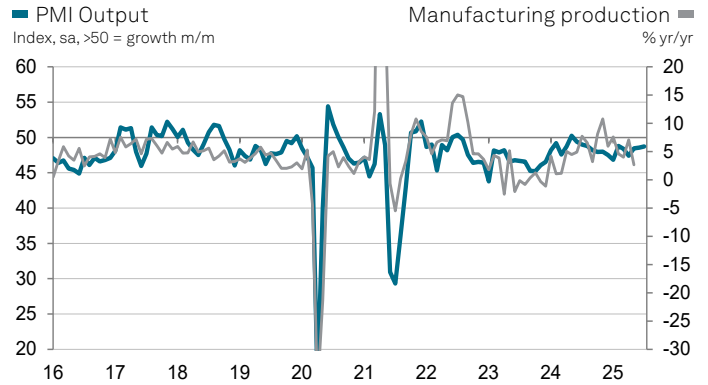
PMI by S&P Global

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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:

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

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