

S&P Global Malaysia Manufacturing PMI[®]

Employment rises at third-strongest pace on record

December 2025

Staffing numbers grow solidly in December

Moderation in production eases...

... but renewed slowdown in new orders registered

Moreover, Malaysian manufacturing production showed signs of stabilising as the latest easing in output was minimal and the joint-weakest in the current four-month sequence of moderation. Additionally, rates of inflation of both input costs and output prices eased on the month to signal only modest increases.

However, new orders recorded a renewed slowdown in December. This then led companies to adjust their purchasing activity. Buying of inputs was unchanged in the latest survey period, following five successive months of growth.

Remaining only slightly above the neutral mark of 50.0 for a second straight month, the seasonally adjusted S&P Global Malaysia Manufacturing Purchasing Managers' Index™ (PMI[®]) was unchanged from November's reading of 50.1 in December. The latest figure marked a further fractional strengthening in operating conditions across Malaysia's manufacturing sector.

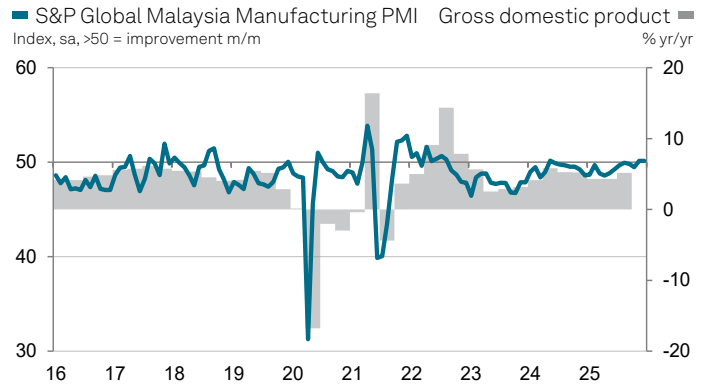
Based on historical relationships between the PMI figures and official data, the latest reading is consistent with further solid year-on-year expansions in both GDP and manufacturing production at the end of 2025.

The improvement in health of the sector was underpinned by a solid rise in workforce numbers. Employment rose for a second straight month in December. The latest uptick was the third-fastest since data collection began in July 2012 and the most pronounced in over seven years. Companies took on additional staff ahead of new projects and to replace leavers, according to respondents.

Meanwhile, output recorded a softer moderation in the closing month of 2025, nearing stabilisation in December.

However, new orders slowed slightly in December, following a modest expansion in the previous month. Muted demand trends were reportedly behind the easing of new business. Additionally, new export orders recorded a fourth consecutive monthly easing in December. The pace of moderation was slight, but marginally stronger than that seen in the previous survey period.

Reflecting the slowdown in new factory orders, December data indicated that purchasing activity among goods producers stagnated. The respective seasonally adjusted index aligned with the neutral threshold of 50.0, marking the first month since last June that goods producers did not increase their input purchases.



Data were collected 4-17 December 2025.
Sources: S&P Global PMI, Department of Statistics Malaysia via S&P Global Market Intelligence. ©2026 S&P Global.

Comment

Maryam Baluch, Economist at S&P Global Market Intelligence, said:

"The overall Malaysia Manufacturing PMI remained in positive territory as 2025 drew to a close. The key highlight from the latest survey was that employment rose at one of the strongest rates on record, while there were also encouraging signs of stabilisation in output.

"However, there were signs of moderation in new order inflows during December. Subdued demand conditions were reflected in softer price pressures, with inflationary trends remaining mild — partly due to the pause in growth of raw material purchasing activity. Moreover, several firms took the initiative to offer discounts to clients, aiming to stimulate sales."

At the same time, Malaysian goods producers faced renewed challenges in receiving inputs on time, as suppliers' delivery times lengthened in December. This reversal followed a modest improvement in vendor performance during November. Adverse weather conditions and congestion were cited as factors behind the latest deterioration in delivery times. Nevertheless, the extent of delays remained slight, partly due to the lack of growth in input buying among Malaysian manufacturers.

Consistent with muted purchasing activity and extended lead times for input deliveries, stocks of purchases declined in December. This marked the sixth consecutive monthly reduction. Nevertheless, the rate of decrease was modest and the weakest in three months.

Manufacturers also recorded a fresh decline in holdings of finished goods in December. Moreover, the pace of reduction was the fastest in eight months. The fall was largely attributed to goods producers utilising stock to meet sales requirements.

Turning to prices, manufacturers across Malaysia recorded only marginal increases in both input costs and output charges in December. The rates of inflation were the weakest in 12 and two months, respectively. Where prices did rise, this was attributed to higher raw material costs, which some firms opted to pass on to customers.

However, others reported offering discounts to clients in an effort to stimulate sales amid subdued demand conditions and a competitive environment.

Looking ahead to the coming 12 months, confidence in the outlook for output remained historically strong, despite the overall degree of optimism waning notably since last November's 12-year high. Firms were hopeful that demand conditions will improve and support production growth.

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.

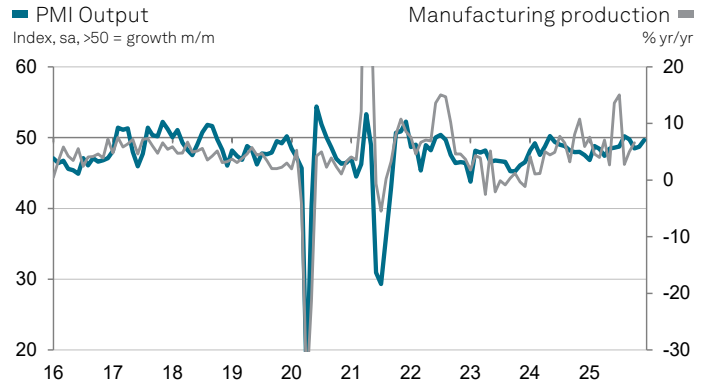
PMI by S&P Global

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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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