

S&P Global Malaysia Manufacturing PMI[®]

Softer moderation in operating conditions but inflationary pressures build

June 2025

Slower reductions in production and new order volumes

Employment increases for first time in nine months

Sharpest rise in cost burdens since last November leads

Business conditions in the Malaysian manufacturing sector moved closer to stabilisation at the end of the first half of 2025. Firms recorded softer moderations in both output and new order volumes.

There was also a softer reduction in new export orders, while firms signalled a renewed rise in employment during June. Business confidence meanwhile was positive, but remained well below the series average.

On the price front, input cost inflation gathered pace from May to reach the highest for seven months. In turn, firms signalled the strongest rise in output charges since August 2024.

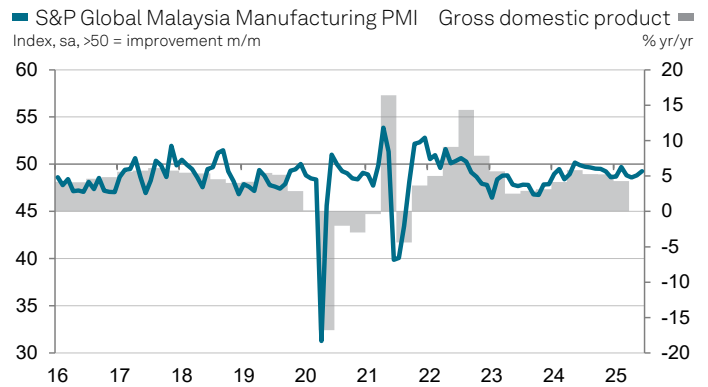
The seasonally adjusted S&P Global Malaysia Manufacturing Purchasing Managers' Index™ (PMI[®]) posted 49.3 in June, up from 48.8 in May. Coming in only marginally below the neutral 50.0 threshold, the index signalled that business conditions moved closer to stabilisation over the course of the month. In fact, the PMI was at its highest reading since February.

The latest PMI reading suggests that the modest growth in official GDP statistics in the first quarter of 2025 was sustained into the second quarter. The data also suggest that the expansion in manufacturing production continued throughout the second quarter.

New orders moderated for the fourth consecutive month during June, though the rate of reduction was the softest seen over this sequence. Where sales fell, firms mentioned subdued client confidence, though some companies signalled that a gradual improvement in demand conditions was underway.

Data suggested that the softer reduction in total sales in part reflected an easing in the decline in new export orders. In fact, the latest reduction was also the slowest since the current sequence which began in December.

In line with the trend for demand, production levels at Malaysian manufacturers were scaled back at a softer pace in June. The rate of moderation was mild, and the softest seen in four months. A further reduction in post-production inventories suggested that firms continued to utilise existing stocks to fulfil incoming orders.



Data were collected 12-24 June 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:

"June data indicated a gradual move to stabilisation in the health of the Malaysian manufacturing sector, although operating conditions remained challenging. Firms recorded sustained, albeit softer moderations in demand and production that were the softest in four months. Most encouragingly, firms raised their employment levels for the first time since last September.

"That said, concerns were raised on the price front, with manufacturers recording the steepest increase in input prices for seven months. In response, firms lifted their charges to the greatest extent in nearly a year in a bid to protect margins."

Staffing levels were raised fractionally in June, marking the first instance of increasing employment in nine months. Higher workforce numbers and a further moderation in demand meant that goods producers focussed on completing outstanding business. As such, backlogs of work were reduced for the eleventh month in a row, and a slightly sharper pace than a month prior.

Subdued operating conditions meant Malaysian manufacturing firms showed little appetite to purchase additional inputs at the end of the second quarter. Purchasing activity has now fallen in each of the last 34 months, while stocks of inputs were unchanged. Anecdotal evidence suggested, however, that some firms looked to hold stocks of inputs to protect against rising prices and delivery delays. On this front, average lead times from suppliers lengthened for the first time in three months.

Higher raw material costs and unfavourable exchange rate fluctuations resulted in a further increase in input prices. The rate of inflation was moderate, but the most pronounced since last November. As a result, firms raised selling prices for the first time in six months, and to the greatest extent since August 2024.

Optimism regarding the 12-month outlook for output improved only slightly during June. The overall degree of optimism was modest but well below the series average. Firms were confident that new product launches would help stimulate sales and production, though firms highlighted concerns regarding the health of the global economy.

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.

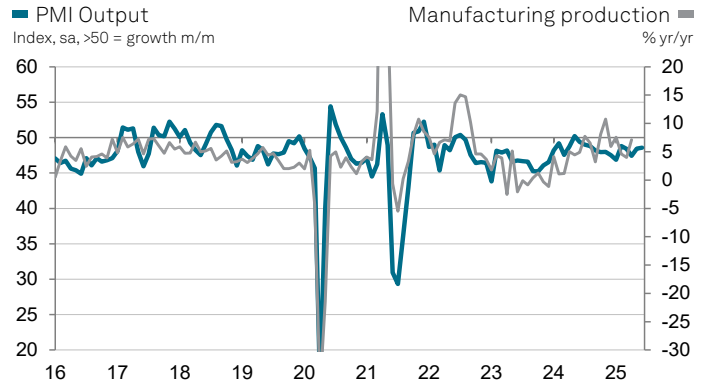
PMI by S&P Global

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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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