

Malaysia

11 July 2025

Sharp slowdown in May industrial production

- Industrial production (IP) growth slowed to 0.3% YoY in May from 2.7% in April, below expectations.
- While the headline print belies some resilience in manufacturing output, it still suggests that growth momentum is slowing.
- This further supports our view that Bank Negara Malaysia (BNM) will cut its policy rate by an additional 25bp this year, taking the OPR to 2.50% by end-2025.

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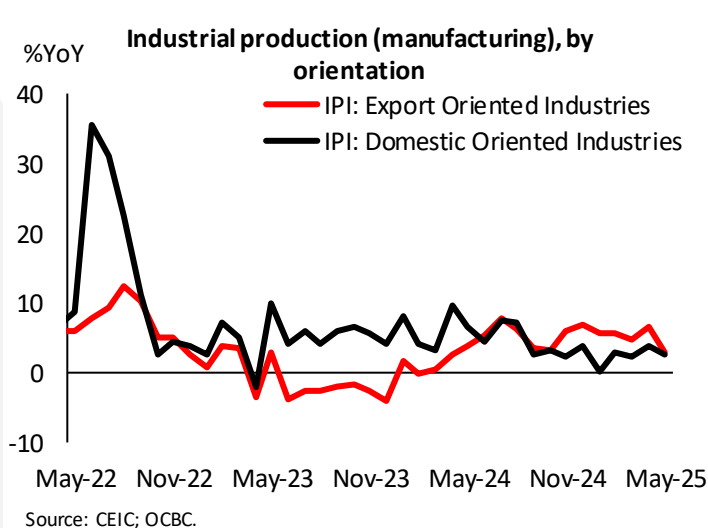
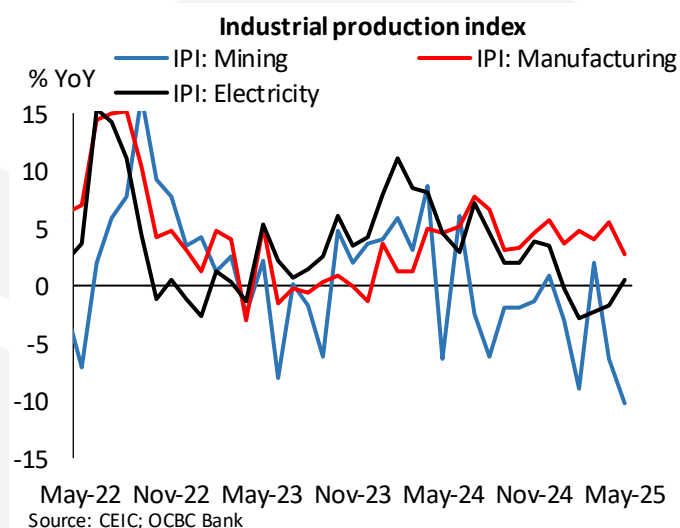
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IP growth slowed sharply to 0.3% YoY in May from 2.7% in April, well below expectations (Consensus: 2.1%; OCBC: 2.8%). The drag was from the mining sector where production dropped further to -10.2% YoY from -6.3% in April. The Department of Statistics put this down to “a decrease further in Natural Gas and Crude Oil & Condensate production.”

Manufacturing IP growth slowed to 2.8% YoY from 5.6% in April, pointing to some resilience in the sector, despite the modestly slower growth in May. Export and domestic oriented IP growth slowed to 2.9% YoY and 2.6% from 6.4% and 3.9%, respectively. Meanwhile, electricity IP grew by 0.4% from -1.7% in April.

Although the weaker May IP print belies some resilience in the manufacturing sector, growth momentum is slowing. Our tracking estimate for 2Q25 GDP growth is 3.9% YoY, slower than 4.4% in 1Q25. For 2025, we expect GDP growth of 3.9%. The outcome of ongoing tariff negotiations and the payback from frontloading of exports to the US will have a significant impact on growth in 2H25.



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