IPI Growth Moderates in Feb-26 as Cost Pressures Weigh on Demand Outlook

Economic Review
Feb-26 Industrial Production



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Economic Review

- Malaysia's IPI continued to grow in Feb-26 for the 26th consecutive month, albeit moderating to +3.1%yoy. The sustained growth was driven by higher manufacturing output and electricity generation, in contrast to reduced mining output.
- Sales of manufactured goods also recorded slower growth in Feb-26 (+3.9%yoy; Jan-26: +7.1%yoy), driven by continued double-digit growth in sales of E&E products. Overall manufacturing sales dropped to RM159.2b (Jan-26: RM169.2b), the lowest in 9 months as sales may be affected by the reduced number of working days.
- We maintain our forecast that IPI growth will moderate to +3.0% this year (2025: +3.4%), supported by higher demand from both external and domestic markets. However, we remain cautious as elevated inflation, particularly from higher energy costs, could weigh on final demand.

IPI growth moderates in Feb-26

Malaysia's IPI continued to grow in Feb-26 for the 26th consecutive month, albeit moderating to +3.1%yoy (Jan-26: +5.9%yoy). The moderation, however, is sharper than expected (MBSBR: +4.5%; market consensus: +5.4%), in line with the slower export growth (Feb-26: +10.8%yoy; Jan-26: +19.6%). The growth in manufacturing sector (+4.2%yoy; Jan-26: +7.3%yoy) was contributed by higher production of E&E products, food products, basic metals and machinery & equipment. Electricity generation also increased (+4.6%yoy; Jan-26: +6.2%yoy) in line with growing energy demand. In contrast, output in the mining sector fell by -2%yoy (Jan-26: +0.1%) due to weaker output of both crude petroleum and natural gas. Based on the seasonally adjusted data, Malaysia's IPI growth was contracted sharper at -2.9%mom in Feb-26 (Jan-26: +0.9%mom), as output fell in all major sectors: manufacturing (-2.4%mom), mining (-5.8%mom), and electricity (-1%mom). We expect monthly output growth to pick up as Malaysia's S&P Global manufacturing PMI rebounded in Mar-26 (50.7; Feb-26: 49.3).

Moderation in output growth for both export- and domestic-oriented sectors

Output growth in the export- and domestic-oriented sectors moderated to +5%yoy (Jan-26: +7.8%yoy) and +2.7%yoy (Jan-26: +6.4%yoy), respectively. For the export industries, increased production of E&E, computers, optical products, wood & wood products as well as furniture more than offset the weaker output of coke & refined petroleum products, textiles and chemical products. Among the domestic-oriented industries, output of construction goods softened to +3.5%yoy (Jan-26: +7%yoy), with slower output growth across various sub-sectors i.e. iron & steel, fabricated metal and non-metallic mineral. Meanwhile, production of consumer products also moderated to +2.2%yoy (Jan-26: +6%yoy), where sustained growth in food products, beverages and tobacco products more than offset the decline in motor vehicle output.

Value of manufacturing sales dropped to 9-month low

Sales of manufactured goods also recorded slower growth in Feb-26 (+3.9%yoy; Jan-26: +7.1%yoy). Nevertheless, the sustained rise was mainly driven by strong sales of E&E products, which continued to grow at double-digit pace. On a monthly basis, the seasonally adjusted sales value grew stronger by +3.6%mom, supported by stronger demand for E&E

products, computer electronics and iron & steel. Sub-sectors such as motor vehicles, consumer electronics, rubber gloves and refined petroleum products registered weaker sales compared to Jan-26. In line with this, the overall manufacturing sales value dropped to RM159.2b (Jan-26: RM169.2b), the lowest in 9 months which we believe sales were affected by the reduced number of working days.

Mixed IPI performance despite continued expansion in global manufacturing activities

IPI growth was mixed across selected economies, despite global manufacturing PMI remaining in expansionary territory. In the US, IPI growth moderated to +1.4%yoy in Feb-26 (Jan-26: +2.3%yoy). Taiwan continued to record strong expansion at +17.8%yoy (Jan-26: +27.9%yoy), supported by sustained demand for AI-related products, while China's output remained steady at +6.3%yoy. In ASEAN, Malaysia's IPI growth eased to +3.1%yoy (Jan-26: +5.9%yoy), whereas the Philippines accelerated to +4.6%yoy (Jan-26: +2.6%yoy). On the downside, industrial output weakened in several economies, including South Korea (-2.2%yoy), Singapore (-0.1%yoy), and Japan (+0.3%yoy, remaining subdued), while Thailand recorded flat growth (0.0%yoy). Overall, the divergence in IPI performance reflects uneven demand conditions, with strength in technology-related sectors partly offset by softer momentum in other segments.

Maintain IPI growth to moderate this year

We maintain our forecast that IPI growth will moderate to around +3.0% this year (2025: +3.4%). Growth will continue to be supported by resilient external demand, particularly in the E&E segment, alongside potential strength in the mining sector driven by elevated commodity prices amid ongoing Middle East tensions and disruptions to the global oil & gas supply. Meanwhile, production in domestic-oriented industries will also increase backed by growing domestic demand. However, we remain cautious as elevated inflation, particularly from higher energy costs, could weigh on final demand across both external and domestic markets, while rising input and operating costs may also dampen firms' production outlook. Firms may scale back production should the demand worsen

Table 1: Malaysia – Summary of Industrial Production Index

	MoM%*				YoY%			
	Nov-25	Dec-25	Jan-26	Feb-26	Nov-25	Dec-25	Jan-26	Feb-26
IPI	**(0.7)**	**0.9**	**0.9**	**(2.9)**	**4.1**	**4.8**	**5.9**	**3.1**
Mining	(2.4)	(2.6)	(0.1)	(5.8)	1.1	(2.5)	0.1	(2.0)
Manufacturing	(0.4)	1.9	1.1	(2.4)	4.9	6.7	7.3	4.2
Electricity	1.6	0.4	1.0	(1.0)	3.7	3.8	6.2	4.6

* MoM is seasonally adjusted
Source: Macrobond, DOSM, MBSBR

Table 2: Changes in IPI Major Industries (YoY%)

	Sep-25	Oct-25	Nov-25	Dec-25	Jan-26	Feb-26
IPI	**5.3**	**5.8**	**4.1**	**4.8**	**5.9**	**3.1**
Mining	**8.7**	**4.5**	**1.1**	**(2.5)**	**0.1**	**(2.0)**
Crude Petroleum	9.7	4.2	1.6	6.4	3.8	(4.3)
Natural Gas	8.1	4.7	0.7	(7.9)	(2.1)	(0.4)
Manufacturing	**5.0**	**6.5**	**4.9**	**6.7**	**7.3**	**4.2**
Food Products	8.4	10.5	8.0	12.1	13.0	5.5
Refined Petroleum Products	(0.2)	(2.3)	(2.7)	(0.8)	(4.0)	(3.4)
Chemicals & Chemicals Products	(1.7)	1.5	(0.7)	2.6	(0.2)	(0.1)
Rubber Products	(0.9)	(1.5)	(1.7)	(0.9)	(0.6)	(2.6)
Basic Metals	6.1	8.6	5.9	7.0	6.7	3.6
Electrical & Electronic Products	9.1	13.4	10.8	12.8	15.2	12.9
Computers & Peripheral Equipment	4.1	1.9	1.7	4.4	2.6	(3.2)
Machinery & Equipment	9.6	11.3	9.0	10.3	8.9	2.3
Motor Vehicles, Trailers & Semi-Trailers	4.5	(3.3)	1.2	1.8	2.9	(10.5)
Electricity	**0.6**	**1.9**	**3.7**	**3.8**	**6.2**	**4.6**

Source: Macrobond, MBSBR

Table 3: Changes in IPI for Export-Oriented Industries (YoY%)

	Aug-25	Sep-25	Oct-25	Nov-25	Dec-25	Jan-26	Feb-26
IPI: Export-Oriented Industries	**2.3**	**4.9**	**7.2**	**5.0**	**7.6**	**7.8**	**5.0**
Computer, Electronic and Optical Products	6.7	8.8	14.2	10.7	13.2	17.2	15.7
Electrical Equipment	7.4	11.1	9.3	13.9	12.2	6.1	3.5
Chemicals and Chemical Products	(2.7)	(1.7)	1.5	(0.7)	(4.2)	(0.2)	(0.1)
Coke and Refined Petroleum Products	(0.5)	(0.2)	(2.4)	(2.7)	3.8	(4.0)	(3.4)
Vegetable & animal oils & fats	(7.5)	7.4	12.9	5.7	14.0	20.7	0.3
Textiles	(4.5)	(1.3)	(0.7)	(3.1)	8.1	1.9	(5.1)
Wearing Apparel	(0.3)	2.1	1.8	2.3	8.2	2.2	(0.8)
Wood and Wood Products	3.6	1.9	2.1	3.7	4.0	4.7	2.9
Furniture	7.7	8.1	9.8	7.5	3.9	7.7	3.9
Rubber Products	(1.5)	(0.9)	(1.6)	(1.7)	(8.0)	(0.6)	(2.6)

Source: DOSM, MBSBR

Table 4: Changes in IPI for Domestic-Oriented Industries (YoY%)

	Aug-25	Sep-25	Oct-25	Nov-25	Dec-25	Jan-26	Feb-26
IPI: Domestic-Oriented Industries	**3.8**	**5.3**	**4.9**	**4.6**	**4.2**	**6.4**	**2.7**
Construction (CO)	3.6	3.0	4.8	3.7	3.9	7.0	3.5
CO: Non-Metallic Mineral	0.3	(2.0)	(1.1)	0.3	(4.0)	5.0	3.2
CO: Iron and Steel	5.4	6.1	8.5	5.9	15.2	6.7	3.6
CO: Fabricated Metal	4.9	4.5	7.1	5.0	3.8	8.5	3.6
Consumer (CS)	3.8	6.7	5.0	5.2	4.4	6.0	2.2
CS: Food Products	9.7	9.0	8.7	9.6	8.8	8.9	8.4
CS: Motor Vehicles, Trailers and Semi-Trailers	(5.1)	4.5	(3.3)	1.3	(1.8)	2.9	(10.5)
CS: Other Transport Equipment	1.4	3.2	4.7	3.4	12.6	5.2	4.0
CS: Beverages	13.1	14.4	15.9	10.3	3.5	11.4	11.1
CS: Tobacco Products	1.4	3.0	1.1	4.4	9.0	3.1	1.9
CS: Paper and Paper Products	(3.2)	(0.8)	(0.7)	(3.9)	(1.6)	1.3	(2.8)
CS: Others	4.1	4.9	2.8	3.1	6.5	1.8	2.4

Source: DOSM, MBSBR

Table 5: Manufacturing Sales (MoM% and YoY%)

	MoM%			YoY%		
	Dec-25	Jan-26	Feb-26	Dec-25	Jan-26	Feb-26
Manufacturing Sales	**(0.5)**	**0.4**	**(6.0)**	**6.4**	**7.1**	**3.9**
Seasonally adjusted month-on-month change (%)	*1.9*	*2.9*	*3.6*	-	-	-
Refined Petroleum Products	(14.5)	6.1	(14.9)	(4.9)	(9.1)	(8.4)
Chemicals and Chemical Products	3.5	3.9	(6.4)	1.4	(3.4)	(3.0)
Rubber Gloves	1.6	4.6	(16.8)	0.8	(2.7)	(11.5)
Iron & Steel Products	(1.0)	(2.2)	1.0	7.2	7.1	3.5
Diodes, Transistor & Electronic Integrated Circuits Mic	(0.7)	(4.7)	17.1	13.9	21.1	21.9
Electrical Capacitor Resistor, Circuit Board & Display Comp	(9.1)	3.4	13.9	28.4	29.8	27.8
Computers & Peripherals Equipment	33.2	8.5	5.1	0.4	(0.5)	(2.0)
Consumer Electronics	(6.6)	(18.4)	(14.4)	19.1	18.2	(9.0)
Motor Vehicles	1.5	(12.3)	(15.7)	(1.4)	(1.2)	(10.1)

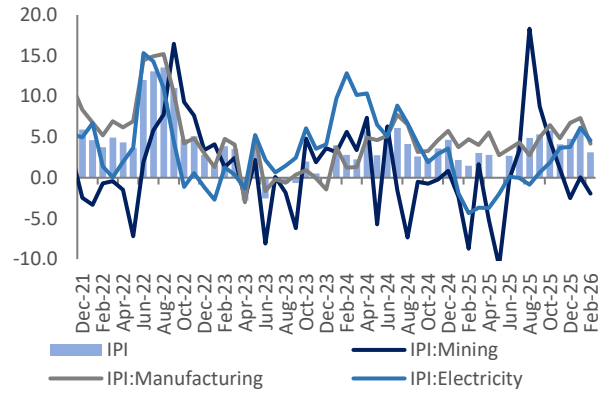
Source: Macrobond, DOSM, MBSBR

Table 6: IPI for Selected Economies (YoY%)

	Jul-25	Aug-25	Sep-25	Oct-25	Nov-25	Dec-25	Jan-26	Feb-26
Malaysia	3.9	4.9	5.3	5.8	4.1	4.8	5.9	3.1
Philippines	0.6	2.9	0.7	2.5	0.1	1.4	2.6	4.6
Thailand	(3.6)	(3.7)	1.6	0.5	(3.7)	2.6	1.6	(0.0)
Singapore	12.9	(4.8)	6.0	15.0	8.2	10.9	13.0	(0.1)
S. Korea	6.9	2.2	14.4	(7.6)	0.0	1.6	6.8	(2.2)
Taiwan	20.1	15.2	18.2	15.9	18.4	23.1	27.9	17.8
China	5.7	5.2	6.5	4.9	4.8	5.2	6.3	6.3
India	4.3	4.1	4.6	0.5	6.7	7.8	4.8	5.2
Japan	(1.5)	(3.3)	2.2	0.1	(4.2)	0.9	0.7	0.3
Euro area	2.0	1.3	1.3	1.9	2.2	2.2	(1.2)	n.a.
USA	1.9	1.2	1.9	1.7	2.1	1.3	2.3	1.4

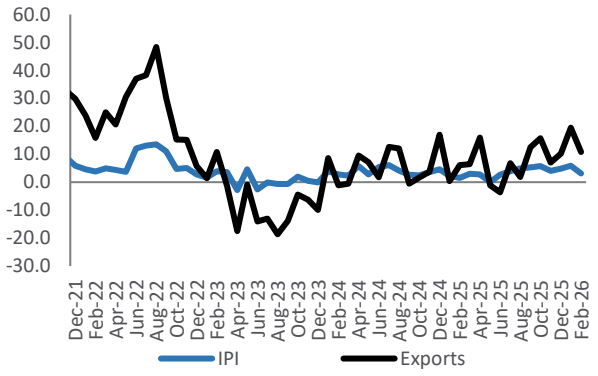
*n.a.: not available
Source: Macrobond, MBSBR

Chart 1: IPI Performance by Sector (YoY%)



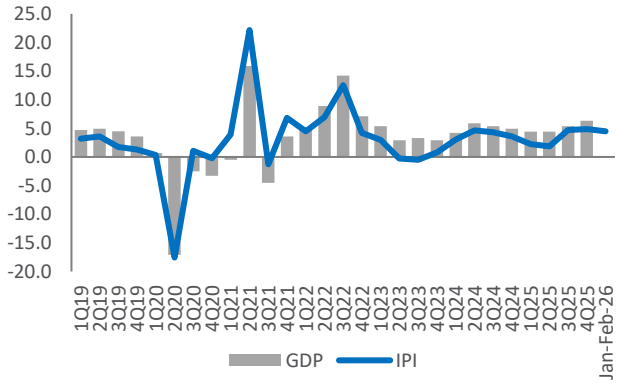
Source: Macrobond, MBSBR

Chart 2: IPI vs Exports (YoY%)



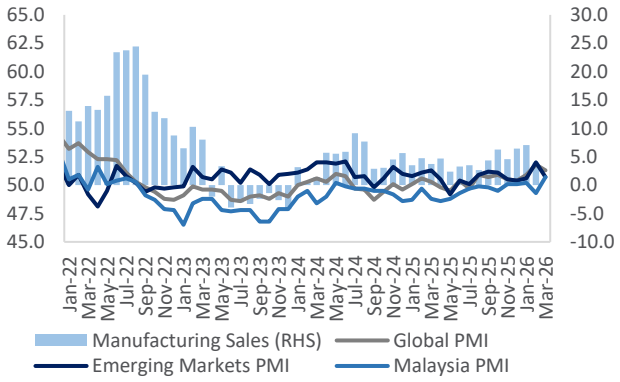
Source: Macrobond, MBSBR

Chart 3: IPI vs GDP (YoY%)



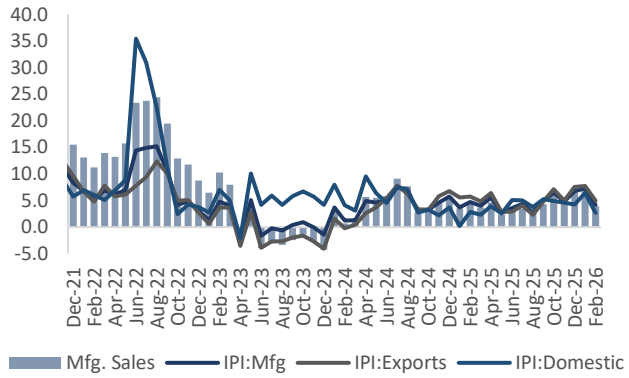
Source: Macrobond, MBSBR

Chart 4: Mfg. Sales (YoY%) vs PMI (Points)



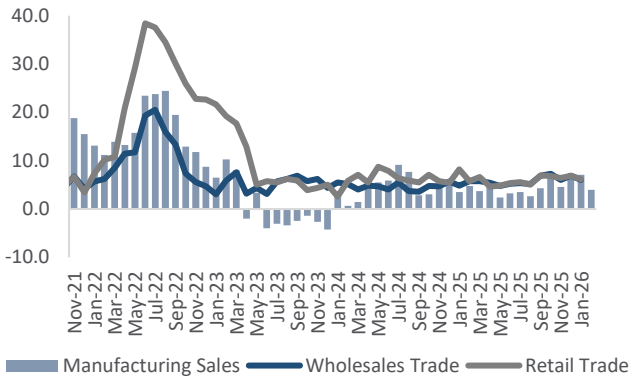
Source: Macrobond, MBSBR

Chart 5: IPI & Mfg. Sales (YoY%)



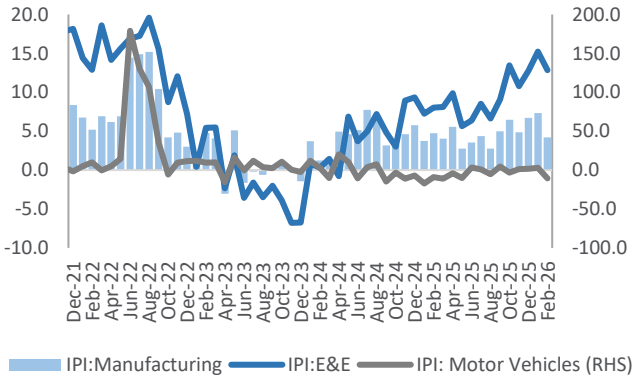
Source: DOSM, MBSBR

Chart 6: Mfg. Sales vs. Wholesale & Retail Trade (YoY%)



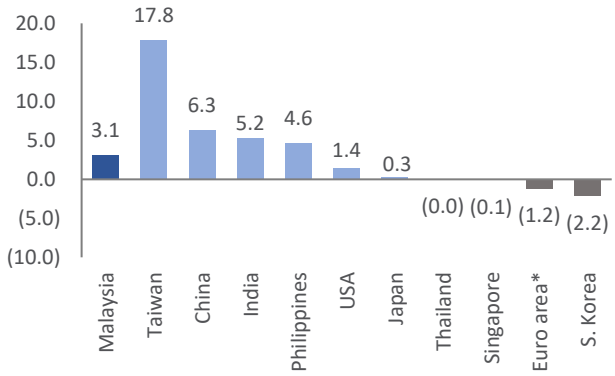
Source: DOSM, MBSBR

Chart 7: IPI: Mfg. vs IPI: Motor Vehicles & IPI: E&E (YoY%)



Source: Macrobond, MBSBR

Chart 8: Global IPI in Feb-26 (YoY%)



*Refers to the latest available data for Jan-26
Source: Macrobond, MBSBR

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