Manufacturing Output Grew Faster, IPI Growth Moderated to +6.5%yoy in June

Economic Review
Jun-26 Industrial Production



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Economic Review

- Malaysia's IPI continued to grow robustly albeit moderating to +6.5%yoy in Jun-26 (May-26: +8.5%yoy). By sector, mining output moderated significantly, in contrast to stronger growth in manufacturing output and electricity generation.
- Manufacturing sales grew robustly at +9.8%yoy in Jun-26 (May-26: +8.9%yoy), with monthly sales value reaching a new high of RM177b. Sales increased faster for various sectors such as motor vehicles, iron & steel products and rubber gloves, while sales of E&E components maintained double-digit growth.
- We adjust our 2026 IPI growth forecast higher to +4.0% (2025: +3.4%), following the encouraging performance in 1H26 particularly the robust growth in 2Q, in line with the pick-up in external demand. Sustained demand for E&E products, resilient domestic demand and ongoing investment activities would support manufacturing output and energy generation. Downside risks remain, mainly from external factors such as prolonged supply disruptions, elevated input costs, weaker external demand and tighter global trade policies.

IPI growth moderated but remained robust in Jun-26

Malaysia's IPI continued to grow robustly albeit moderating to +6.5%yoy in Jun-26 (May-26: +8.5%yoy). The moderation in IPI growth was expected, taking into account the higher base in Jun-25, and within our expectation of +6.0-7.0%yoy. By sector, mining output moderated significantly following the sharp surge in May-26. Mining production grew by +3.1%yoy (May-26: +19.8%yoy), as natural gas output moderated to +7.4%yoy (May-26: +37.4%yoy), while crude petroleum production declined further by -3.3%yoy (May-26: -0.7%yoy). In contrast, manufacturing output strengthened to +7.3%yoy (May-26: +6.6%yoy), supported by sustained E&E production and stronger machinery, basic metals and motor vehicle output. Electricity generation also accelerated to +6.7%yoy (May-26: +4.8%yoy). Overall, IPI expanded by around +5.9%yoy in 1HCY26, with the stronger +7.7%yoy growth in 2QCY26 consistent with Malaysia's firmer advance GDP growth of +5.8%yoy during the quarter.

Manufacturing strengthened as mining output normalised

The sustained IPI expansion in Jun-26 was primarily supported by the manufacturing sector, which accounts for the largest share of industrial production. Manufacturing output accelerated to +7.3%yoy (May-26: +6.6%yoy), with E&E products remaining the key anchor at +13.6%yoy (May-26: +16.2%yoy). Growth also strengthened in machinery & equipment (+10.6%yoy; May-26: +6.8%yoy), basic metals (+8.2%yoy; May-26: +7.3%yoy) and motor vehicles (+12.6%yoy; May-26: -10.3%yoy). Computers & peripheral equipment also returned to growth at +2.3%yoy (May-26: -10.7%yoy). The firmer manufacturing performance was broadly consistent with Malaysia's S&P Global manufacturing PMI returning to expansion at 50.7 in Jun-26 (May-26: 49.9), signalling a modest recovery in new orders and production. With PMI remaining unchanged in Jul-26, we expect manufacturing output growth to sustain well into Jul-26.

Domestic-oriented output rebounded while export production stayed robust

Production in the export-oriented sectors remained robust at +7.6%yoy in Jun-26 (May-26: +8.8%yoy), led by continued double-digit growth in computer, electronic & optical products (+14.9%yoy; May-26: +19.3%yoy), alongside stronger electrical equipment (+6.5%yoy; May-26: +3.6%) and furniture (+7.8%yoy; May-26: +5.7%yoy). More encouragingly, domestic-

oriented production rebounded strongly to +6.4%yoy (May-26: +1.9%yoy). Consumer-related output accelerated to +7.1%yoy (May-26: +0.5%yoy), supported by the rebound in motor vehicles (+12.5%yoy; May-26: -10.3%yoy) and firmer output of food products (+6.3%yoy; May-26: +3.7%yoy), while construction-related production grew steadily by +5.0%yoy (May-26: +4.9%yoy).

IPI eased marginally on monthly basis in Jun-26

Based on seasonally adjusted data, Malaysia's IPI declined marginally by -0.5%mom in Jun-26 (May-26: -0.3%mom), marking a second consecutive monthly decline following the strong +5.5%mom increase in Apr-26. The decline was mainly due to weaker mining output, which fell by -1.7%mom. In contrast, manufacturing output growth rebounded to +0.9%mom (May-26: -2.2%mom), while electricity generation also increased by +2.3%mom (May-26: -3.3%mom). Despite the slight monthly pullback in headline IPI, the improvement in manufacturing and electricity indicates that underlying production momentum remained relatively firm. Increased demand will continue to support output growth, and electricity generation will continue to expand on the back of increased domestic usage and growing economic activities.

Manufacturing sales grew faster in Jun-26

Manufacturing sales grew robustly at +9.8%yoy in Jun-26 (May-26: +8.9%yoy), with monthly sales value reaching a new high of RM177b. Sales increased faster for various sectors such as motor vehicles, iron & steel products and rubber gloves, while sales of E&E components maintained double-digit growth albeit relatively slower than the previous month. On a monthly basis, manufacturing sales rebounded to +2.5%mom (May-26: -1.3%mom) and even rising faster at +9.8%mom (May-26: +8.1%mom) after seasonal adjustment. The monthly growth was driven by higher demand for computers & peripheral equipment, consumer electronics and refined petroleum products; all these sub-sectors increased at double-digit pace. Broadly, we expect manufacturing sales to remain supported by resilient external demand particularly for E&E and technology products as well as domestic consumption, although elevated input costs and lingering supply-chain risks could constrain the pace of expansion. Malaysia also benefits from increased demand for petroleum products.

Firmer albeit uneven IPI growth across economies

IPI performance across major economies was generally firmer in Jun-26, particularly among regional technology producers. Taiwan recorded the strongest expansion at +23.0%yoy (May-26: +11.9%yoy), while the Philippines' IPI accelerated to +13.5%yoy (May-26: +12.5%yoy). India (+7.3%yoy; May-26: +5.0%yoy), South Korea (+5.8%yoy; May-26: -1.1%yoy), China (+5.3%yoy; May-26: +4.5%yoy) and Japan (+4.2%yoy; May-26: -2.1%yoy) also registered stronger production. In contrast, Singapore's growth moderated to +7.2%yoy (May-26: +17.8%yoy), while Thailand's IPI contracted further by -3.1%yoy (May-26: -1.3%yoy). US industrial production growth also eased to +1.1%yoy (May-26: +1.6%yoy) but driven by higher manufacturing and mining output. Overall, the regional data continued to point to resilient technology-related production, although performance remained uneven across economies.

Adjust 2026 IPI growth higher

We adjust our 2026 IPI growth forecast higher to +4.0% (2025: +3.4%), following the stronger-than-expected production performance in 1H26. In particular, the robust growth in 2Q was in line with the pick-up in external demand, and sustained rise in domestic demand. For 2HCY26, we anticipate production activities will continue to grow, but the pace of expansion would be at more normal levels. Overall, we expect sustained demand for E&E products, resilient domestic demand and ongoing investment activities are expected to keep manufacturing output and energy generation on an expansionary trajectory. Downside risks remain, mainly from external factors such as prolonged supply disruptions, elevated input costs, weaker external demand and tighter global trade policies.

Table 1: Malaysia – Summary of Industrial Production Index

	MoM%*				YoY%			
	Mar-26	Apr-26	May-26	Jun-26	Mar-26	Apr-26	May-26	Jun-26
IPI	1.1	5.5	(0.3)	(0.5)	3.1	8.2	8.5	6.5
Mining	3.9	8.0	0.0	(1.7)	(6.5)	6.8	19.8	3.1
Manufacturing	1.1	4.8	(2.2)	0.9	5.5	8.3	6.6	7.3
Electricity	(0.4)	5.4	(3.3)	2.3	4.8	10.5	4.8	6.7

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

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

	Jan-26	Feb-26	Mar-26	Apr-26	May-26	Jun-26
IPI	**5.9**	**3.1**	**3.1**	**8.2**	**8.5**	**6.5**
Mining	**0.1**	**(2.0)**	**(6.5)**	**6.8**	**19.8**	**3.1**
Crude Petroleum	3.8	(4.3)	(11.3)	(6.4)	(0.7)	(3.3)
Natural Gas	(2.1)	(0.4)	(3.4)	16.6	37.4	7.4
Manufacturing	**7.3**	**4.2**	**5.5**	**8.3**	**6.6**	**7.3**
Food Products	13.0	5.5	9.5	8.8	(1.1)	1.3
Refined Petroleum Products	(4.0)	(3.4)	2.4	4.2	7.8	2.9
Chemicals & Chemicals Products	(0.2)	(0.1)	(1.0)	2.9	1.3	2.6
Rubber Products	(0.6)	(2.6)	(2.8)	4.5	(1.9)	1.6
Basic Metals	6.7	3.6	4.5	7.2	7.3	8.2
Electrical & Electronic Products	15.2	12.9	12.5	12.8	16.2	13.6
Computers & Peripheral Equipment	2.6	(3.2)	(4.8)	8.5	(10.7)	2.3
Machinery & Equipment	8.9	2.3	3.8	7.7	6.8	10.6
Motor Vehicles, Trailers & Semi-Trailers	2.9	(10.5)	(9.8)	13.5	(10.3)	12.6
Electricity	**6.2**	**4.6**	**4.8**	**10.5**	**4.8**	**6.7**

Source: Macrobond, MBSBR

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

	Dec-25	Jan-26	Feb-26	Mar-26	Apr-26	May-26	Jun-26
IPI: Export-Oriented Industries	**7.6**	**7.8**	**4.9**	**6.7**	**8.5**	**8.8**	**7.6**
Computer, Electronic and Optical Products	13.2	17.2	15.7	14.8	14.6	19.3	14.9
Electrical Equipment	12.2	6.1	3.5	3.0	5.2	3.6	6.5
Chemicals and Chemical Products	(4.2)	(0.2)	(0.1)	(1.0)	2.9	1.3	2.6
Coke and Refined Petroleum Products	3.8	(4.0)	(3.4)	2.4	4.2	7.7	2.9
Vegetable & animal oils & fats	14.0	20.7	0.2	13.5	9.3	(9.2)	(7.2)
Textiles	8.1	1.9	(5.1)	(2.4)	1.2	(2.1)	(1.2)
Wearing Apparel	8.2	2.2	(0.8)	2.7	4.5	(0.9)	0.2
Wood and Wood Products	4.0	4.7	2.9	3.2	5.1	1.2	4.7
Furniture	3.9	7.7	3.9	3.4	5.9	5.7	7.8
Rubber Products	(8.0)	(0.6)	(2.6)	(2.8)	4.5	(1.9)	1.5

Source: DOSM, MBSBR

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

	Dec-25	Jan-26	Feb-26	Mar-26	Apr-26	May-26	Jun-26
IPI: Domestic-Oriented Industries	**4.2**	**6.4**	**2.7**	**2.8**	**8.0**	**1.9**	**6.4**
Construction (CO)	3.9	7.0	3.5	3.7	6.5	4.9	5.0
CO: Non-Metallic Mineral	(4.0)	5.0	3.2	2.6	6.7	2.9	6.1
CO: Iron and Steel	15.2	6.7	3.6	4.5	7.2	7.4	8.2
CO: Fabricated Metal	3.8	8.5	3.6	4.0	5.8	4.5	2.4
Consumer (CS)	4.4	6.0	2.2	2.2	8.9	0.5	7.1
CS: Food Products	8.8	8.9	8.3	7.3	8.6	3.7	6.3
CS: Motor Vehicles, Trailers and Semi-Trailers	(1.8)	2.9	(10.5)	(9.8)	13.5	(10.3)	12.5
CS: Other Transport Equipment	12.6	5.2	4.0	3.2	4.5	2.0	3.2
CS: Beverages	3.5	11.4	11.1	9.1	12.4	5.4	6.0
CS: Tobacco Products	9.0	3.1	1.9	3.6	4.8	5.2	3.2
CS: Paper and Paper Products	(1.6)	1.3	(2.8)	(1.9)	2.2	4.1	6.2
CS: Others	6.5	1.8	2.5	1.5	2.6	1.3	4.2

Source: DOSM, MBSBR

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

	MoM%			YoY%		
	Apr-26	May-26	Jun-26	Apr-26	May-26	Jun-26
Manufacturing Sales	**1.2**	**(1.3)**	**2.5**	**9.1**	**8.9**	**9.8**
Seasonally-adjusted month-on-month change (%)	*9.6*	*8.1*	*9.8*	-	-	-
Refined Petroleum Products	16.6	(5.5)	19.9	5.9	8.6	5.4
Chemicals and Chemical Products	2.1	(6.2)	(0.1)	2.4	1.8	3.9
Rubber Gloves	14.8	(10.5)	(5.9)	5.4	2.6	3.4
Iron & Steel Products	(3.5)	(15.0)	(4.2)	8.8	8.0	8.8
Diodes, Transistor & Electronic Integrated Circuits Mic	(28.6)	31.0	0.1	14.7	41.0	33.6
Electrical Capacitor Resistor, Circuit Board & Display Comp	(15.1)	27.1	(12.1)	27.7	60.5	29.9
Computers & Peripherals Equipment	55.1	(38.9)	27.4	8.9	(21.8)	1.0
Consumer Electronics	(9.8)	0.4	11.5	(22.5)	(39.0)	(37.1)
Motor Vehicles	35.4	(18.7)	3.3	17.9	(8.1)	18.6

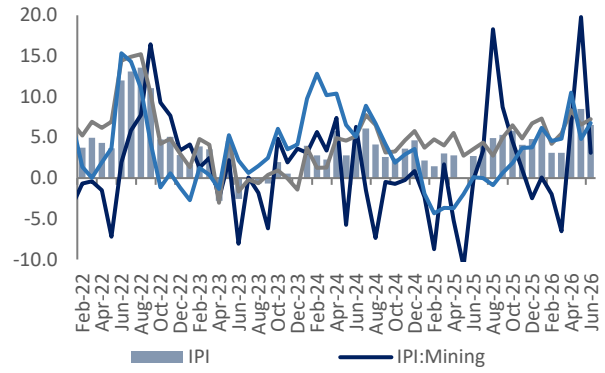
Source: Macrobond, DOSM, MBSBR

Table 6: IPI for Selected Economies (YoY%)

	Nov-25	Dec-25	Jan-26	Feb-26	Mar-26	Apr-26	May-26	Jun-26
Malaysia	4.1	4.8	5.9	3.1	3.1	8.2	8.5	6.5
Philippines	(1.3)	0.5	(5.2)	3.8	12.0	13.0	12.5	13.5
Thailand	(3.7)	2.6	1.6	(0.2)	1.3	(0.9)	(1.3)	(3.1)
Singapore	8.2	10.9	9.3	6.7	5.8	12.8	17.8	7.2
S. Korea	0.0	1.6	6.8	(2.3)	3.8	1.3	(1.1)	5.8
Taiwan	18.4	23.1	27.9	16.6	26.1	14.9	11.9	23.0
China	4.8	5.2	6.3	6.3	5.7	4.1	4.5	5.3
India	7.0	6.7	4.1	4.4	3.0	4.9	5.0	7.3
Japan	(4.2)	0.9	0.7	0.4	2.4	2.0	(2.1)	4.2
Euro area	2.1	2.2	(1.1)	(1.0)	(2.8)	0.4	(1.2)	n.a.
USA	1.8	1.2	1.0	0.8	0.6	1.3	1.6	1.1

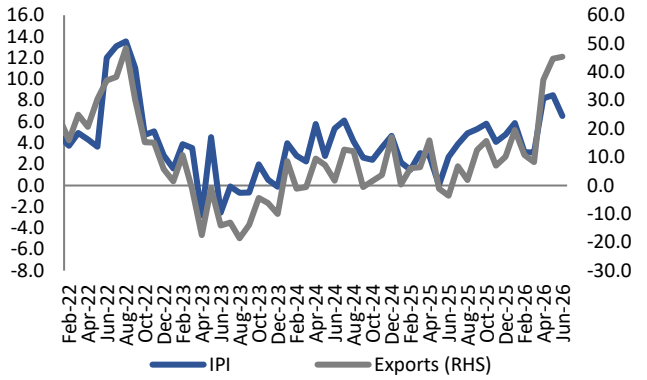
*n.a.: not available
Source: Macrobond, MBSBR

Chart 1: IPI Performance by Sector (YoY%)



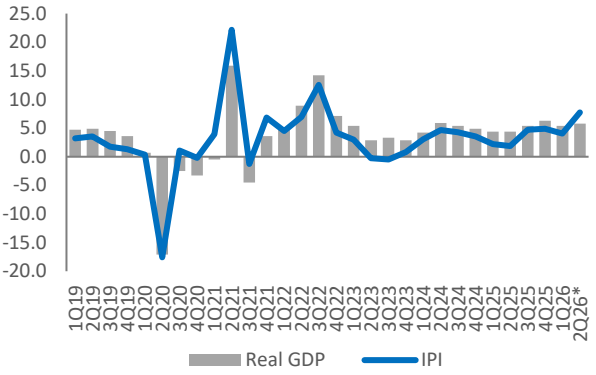
Source: Macrobond, MBSBR

Chart 2: IPI vs Exports (YoY%)



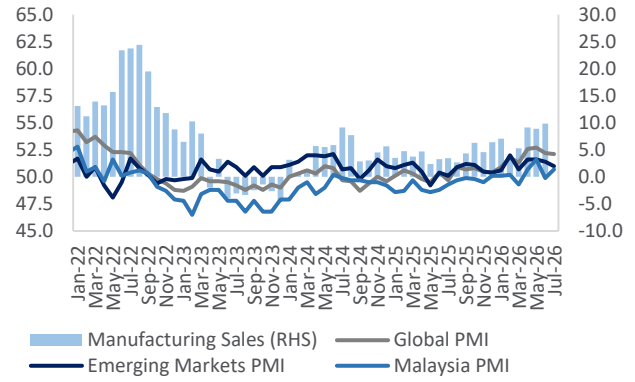
Source: Macrobond, MBSBR

Chart 3: IPI vs GDP (YoY%)



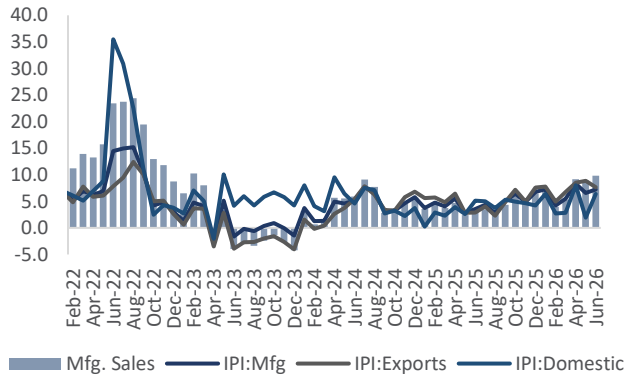
* 2Q26 GDP data refers to advance estimate
Source: Macrobond, MBSBR

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



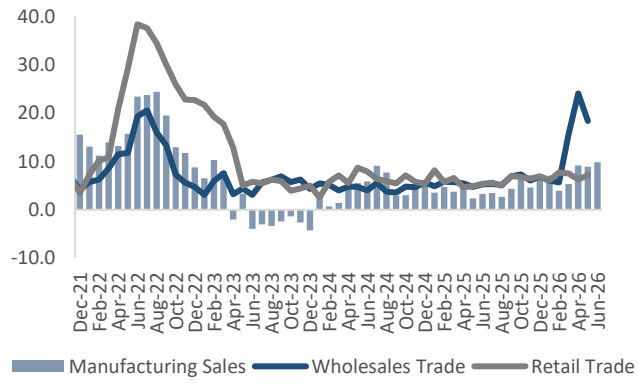
Source: Macrobond, MBSBR

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



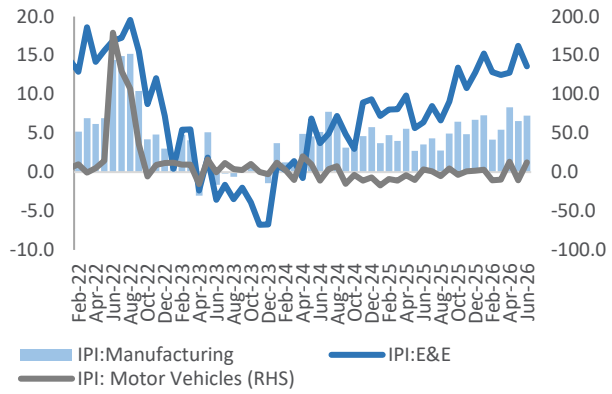
Source: DOSM, MBSBR

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



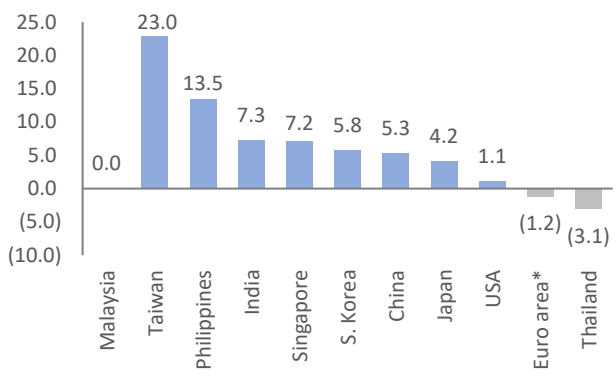
Source: DOSM, MBSBR

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



Source: Macrobond, MBSBR

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



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

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