IPI Growth Moderated More than Expected to +4.7%yoy in July

Economic Review
Jul-26 Industrial Production



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- Malaysia's IPI growth moderated further to +4.7%yoy in Jul-26 (Jun-26: +6.5%yoy), marking the slowest growth in four months. The moderation was sharper than expected, mainly due to a contraction in mining output. Meanwhile, manufacturing output and electricity generation remained resilient, although growth in both sectors also moderated.
- Manufacturing sales continued to expand firmly +9.1%yoy in Jul-26 (Jun-26: +9.8%), with the pace of growth only moderated slightly. The growth was underpinned by resilient sales of E&E components and stronger sales of iron & steel. On a monthly basis, sales increased marginally by +0.2%mom (Jun-26: +2.5%mom).
- We maintain our 2026 IPI growth forecast at +4.0% (2025: +3.4%), anticipating a more moderate expansion in 2HCY26. Industrial activity will continue to be supported by resilient external demand and increased domestic economic activity. However, the pace of growth may be constrained by downside risks including supply disruptions, elevated cost pressures, potentially weaker final demand and tighter trade policies.

IPI growth moderated more than expected

Malaysia's IPI growth moderated further to +4.7%yoy in Jul-26 (Jun-26: +6.5%yoy), marking the slowest growth in 4 months. The moderation was expected, taking into account the slower export growth in Jul-26, but more than expected compared to the market consensus (+5.4%yoy) and our expectation (+5.5-6.0%yoy). The softer-than-expected performance was mainly attributable to lower mining output, which fell by -3.2%yoy (Jun-26: +3.1%yoy), as crude petroleum production declined further by -13.1%yoy (Jun-26: -3.3%yoy) and natural gas output rose at a slower pace (+3.6%yoy; Jun-26: +7.4%yoy). Meanwhile, manufacturing output remained relatively resilient at +6.4%yoy (Jun-26: +7.3%yoy), supported by sustained E&E production and stronger machinery and basic metals output. Electricity generation also expanded at a slower pace of +5.0%yoy (Jun-26: +6.7%), although the continued expansion reflected sustained energy demand. Overall, the latest reading points to some moderation in industrial momentum entering 3QCY26, although manufacturing activity remains relatively firm amid still-resilient external demand.

Manufacturing remained resilient

The manufacturing sector remained the key support to industrial production in Jul-26, with output expanding by +6.4%yoy (Jun-26: +7.3%). E&E products continued to anchor growth at +13.3%yoy (Jun-26: +13.6%), while growth strengthened in machinery & equipment (+14.6%; Jun-26: +10.6%), basic metals (+10.1%; Jun-26: +8.2%) and computers & peripheral equipment (+8.3%; Jun-26: +2.3%). In contrast, motor vehicle production moderated to +4.2%yoy (Jun-26: +12.6%). The sustained manufacturing expansion partly cushioned the sharp weakness in mining, suggesting that factory activity remains relatively healthy despite the moderation in headline IPI growth.

Export- and domestic-oriented output remained resilient

Production in the export-oriented sectors remained firm albeit moderating to +6.7%yoy in Jul-26 (Jun-26: +7.7%yoy), led by continued double-digit rise in computer, electronic & optical products, alongside stronger electrical equipment production. Furniture output also grew faster at +8.7%yoy in Jul-26, marking the strongest expansion in 9 months. Meanwhile, domestic-oriented production moderated slightly but remained healthy at +5.8%yoy (Jun-

26: +6.4%yoy). Construction-related production strengthened to +5.9%yoy (Jun-26: +5.0%yoy), particularly iron & steel, non-metallic minerals and fabricated metals, while consumer-related output eased to +5.8%yoy (Jun-26: +7.1%) following moderate growth for motor vehicles and other transport equipment.

IPI eased marginally on monthly basis in Jun-26

Based on seasonally adjusted data, Malaysia's IPI edged down by -0.1%mom in Jul-26 (Jun-26: -0.5%mom), marking a third consecutive monthly decline, although the pace of contraction eased. The weakness was mainly concentrated in mining output, which fell steeper by -4.9%mom (Jun-26: -1.7%mom). In contrast, manufacturing output increased by +1.1%mom (Jun-26: +0.9%), marking the second consecutive monthly expansion, while electricity output eased marginally by -0.2%mom. The divergence suggests that the recent moderation in headline IPI largely reflects weakness in the mining sector rather than a broad-based deterioration in domestic industrial activity.

Manufacturing sales remained firm in Jul-26

Manufacturing sales continued to expand firmly +9.1%yoy in Jul-26 (Jun-26: +9.8%), with the pace of growth only moderated slightly. The growth was underpinned by resilient sales of E&E components and stronger sales of iron & steel. On a monthly basis, sales increased marginally by +0.2%mom (Jun-26: +2.5%mom). The monthly increase was supported by rebounds in iron & steel products, rubber gloves and chemical products, alongside stronger motor vehicle sales, which more than offset weaker sales of E&E components. Broadly, resilient manufacturing sales and E&E demand should continue to support industrial activity, although the weaker-than-expected Jul-26 IPI suggests some moderation in overall production momentum entering 3QCY26.

IPI growth moderates across economies, but still resilient tech production

IPI performance across major economies generally moderated in Jul-26, although regional technology producers continued to record relatively firm growth. Taiwan's IPI strengthened further to +25.6%yoy (Jun-26: +22.6%yoy), while Singapore maintained solid growth of +6.8%yoy (Jun-26: +7.5%yoy). In contrast, production growth eased in the Philippines (+9.6%yoy; Jun-26: +13.9%), India (+6.7%yoy; Jun-26: +8.8%yoy), South Korea (+3.6%yoy; Jun-26: +6.0%yoy), China (+4.5%yoy; Jun-26: +5.3%yoy) and Japan (+4.1%yoy; Jun-26: +4.9%yoy). Thailand's IPI, however, rebounded by +0.5%yoy (Jun-26: -2.4%yoy). Meanwhile, US industrial production growth eased slightly to +1.1%yoy (Jun-26: +1.3%), supported by increased output in all major sectors i.e. manufacturing, mining and utilities. Overall, the latest data point to continued resilience in technology-related production, particularly in Taiwan, although broader industrial momentum across major economies has softened.

Maintain 2026 IPI growth at +4.0%

We maintain our 2026 IPI growth forecast at +4.0% (2025: +3.4%), anticipating a more moderate expansion in 2HCY26. Overall, Malaysia's industrial activity will continue to be supported by resilient external demand, especially for E&E products and commodities, as well as increased domestic economic activity. Nevertheless, the pace of growth may be constrained by downside risks including supply disruptions, elevated cost pressures, potentially weaker final demand and tighter trade policies.

Table 1: Malaysia – Summary of Industrial Production Index

	MoM%*				YoY%			
	Apr-26	May-26	Jun-26	Jul-26	Apr-26	May-26	Jun-26	Jul-26
IPI	5.5	(0.3)	(0.5)	(0.1)	8.2	8.5	6.5	4.7
Mining	8.0	0.0	(1.7)	(4.9)	6.8	19.8	3.1	(3.2)
Manufacturing	4.8	(2.2)	0.9	1.1	8.3	6.6	7.3	6.4
Electricity	5.4	(3.3)	2.3	(0.2)	10.5	4.8	6.7	5.0

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

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

	Feb-26	Mar-26	Apr-26	May-26	Jun-26	Jul-26
IPI	**3.1**	**3.1**	**8.2**	**8.5**	**6.5**	**4.7**
Mining	**(2.0)**	**(6.5)**	**6.8**	**19.8**	**3.1**	**(3.2)**
Crude Petroleum	(4.3)	(11.3)	(6.4)	(0.7)	(3.3)	(13.1)
Natural Gas	(0.4)	(3.4)	16.6	37.4	7.4	3.6
Manufacturing	**4.2**	**5.5**	**8.3**	**6.6**	**7.3**	**6.4**
Food Products	5.5	9.5	8.8	(1.1)	1.3	0.8
Refined Petroleum Products	(3.4)	2.4	4.2	7.8	2.9	1.1
Chemicals & Chemicals Products	(0.1)	(1.0)	2.9	1.3	2.6	2.2
Rubber Products	(2.6)	(2.8)	4.5	(1.9)	1.6	1.4
Basic Metals	3.6	4.5	7.2	7.3	8.2	10.1
Electrical & Electronic Products	12.9	12.5	12.8	16.2	13.6	13.3
Computers & Peripheral Equipment	(3.2)	(4.8)	8.5	(10.7)	2.3	8.3
Machinery & Equipment	2.3	3.8	7.7	6.8	10.6	14.6
Motor Vehicles, Trailers & Semi-Trailers	(10.5)	(9.8)	13.5	(10.3)	12.6	4.2
Electricity	**4.6**	**4.8**	**10.5**	**4.8**	**6.7**	**5.0**

Source: Macrobond, MBSBR

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

	Jan-26	Feb-26	Mar-26	Apr-26	May-26	Jun-26	Jul-26
IPI: Export-Oriented Industries	**7.8**	**4.9**	**6.7**	**8.5**	**8.9**	**7.7**	**6.7**
Computer, Electronic and Optical Products	17.2	15.7	14.8	14.6	19.3	14.9	14.0
Electrical Equipment	6.1	3.5	3.0	5.2	3.5	6.5	6.8
Chemicals and Chemical Products	(0.2)	(0.1)	(1.0)	2.9	1.3	2.6	2.1
Coke and Refined Petroleum Products	(4.0)	(3.4)	2.4	4.2	7.8	2.9	1.1
Vegetable & animal oils & fats	20.7	0.2	13.5	9.3	(9.2)	(7.3)	(9.7)
Textiles	1.9	(5.1)	(2.4)	1.2	(2.1)	(1.3)	(2.5)
Wearing Apparel	2.2	(0.8)	2.7	4.5	(0.9)	0.2	2.7
Wood and Wood Products	4.7	2.9	3.2	5.1	1.2	4.8	3.0
Furniture	7.7	3.9	3.4	5.9	5.7	7.9	8.7
Rubber Products	(0.6)	(2.6)	(2.8)	4.5	(1.9)	1.5	1.4

Source: DOSM, MBSBR

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

	Jan-26	Feb-26	Mar-26	Apr-26	May-26	Jun-26	Jul-26
IPI: Domestic-Oriented Industries	**6.4**	**2.7**	**2.8**	**8.0**	**2.0**	**6.4**	**5.8**
Construction (CO)	7.0	3.5	3.7	6.5	4.9	5.0	5.9
CO: Non-Metallic Mineral	5.0	3.2	2.6	6.7	2.9	6.2	6.4
CO: Iron and Steel	6.7	3.6	4.5	7.2	7.3	8.2	10.1
CO: Fabricated Metal	8.5	3.6	4.0	5.8	4.6	2.3	2.8
Consumer (CS)	6.0	2.2	2.2	8.9	0.5	7.1	5.8
CS: Food Products	8.9	8.3	7.3	8.6	3.7	6.3	7.2
CS: Motor Vehicles, Trailers and Semi-Trailers	2.9	(10.5)	(9.8)	13.5	(10.3)	12.5	4.2
CS: Other Transport Equipment	5.2	4.0	3.2	4.5	2.0	3.1	1.2
CS: Beverages	11.4	11.1	9.1	12.4	5.4	6.0	4.4
CS: Tobacco Products	3.1	1.9	3.6	4.8	5.3	3.2	4.7
CS: Paper and Paper Products	1.3	(2.8)	(1.9)	2.2	4.1	6.2	4.1
CS: Others	1.8	2.5	1.5	2.6	1.3	4.2	3.7

Source: DOSM, MBSBR

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

	MoM%			YoY%		
	May-26	Jun-26	Jul-26	May-26	Jun-26	Jul-26
Manufacturing Sales	**(1.3)**	**2.5**	**0.2**	**8.9**	**9.8**	**9.1**
Seasonally adjusted month-on-month change (%)	*8.1*	*9.8*	*7.4*	-	-	-
Refined Petroleum Products	(5.5)	19.9	0.3	8.6	5.4	3.3
Chemicals and Chemical Products	(6.2)	(0.1)	4.8	1.8	3.9	3.6
Rubber Gloves	(10.5)	(5.9)	3.1	2.6	3.4	3.5
Iron & Steel Products	(15.0)	(4.2)	1.1	8.0	8.8	11.6
Diodes, Transistor & Electronic Integrated Circuits Mic	31.0	0.1	(5.4)	41.0	33.6	27.8
Electrical Capacitor Resistor, Circuit Board & Display Comp	27.1	(12.1)	(10.5)	60.5	29.9	28.7
Computers & Peripherals Equipment	(38.9)	27.4	2.2	(21.8)	1.0	3.2
Consumer Electronics	0.4	11.5	3.1	(39.0)	(37.1)	(36.3)
Motor Vehicles	(18.7)	3.3	17.8	(8.1)	18.6	7.7

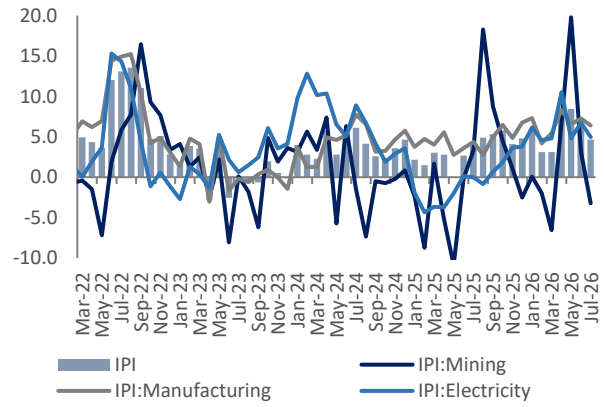
Source: Macrobond, DOSM, MBSBR

Table 6: IPI for Selected Economies (YoY%)

	Dec-25	Jan-26	Feb-26	Mar-26	Apr-26	May-26	Jun-26	Jul-26
Malaysia	4.8	5.9	3.1	3.1	8.2	8.5	6.5	4.7
Philippines	(0.3)	(5.6)	3.7	12.0	13.2	13.3	13.9	9.6
Thailand	2.6	1.6	0.1	1.3	(0.9)	(1.3)	(2.4)	0.5
Singapore	10.9	9.5	7.2	6.3	13.7	17.8	7.5	6.8
S. Korea	1.6	6.8	(2.3)	3.8	1.3	(1.1)	6.0	3.6
Taiwan	23.1	27.9	16.6	26.1	14.9	11.9	22.6	25.6
China	5.2	6.3	6.3	5.7	4.1	4.5	5.3	4.5
India	6.7	4.1	4.4	3.0	4.9	5.0	8.8	6.7
Japan	0.9	0.7	0.4	2.4	2.0	(2.1)	4.9	4.1
Euro area	2.2	(1.1)	(1.0)	(2.8)	0.4	(0.1)	0.1	n.a.
USA	1.2	1.0	0.8	0.7	1.4	1.5	1.3	1.1

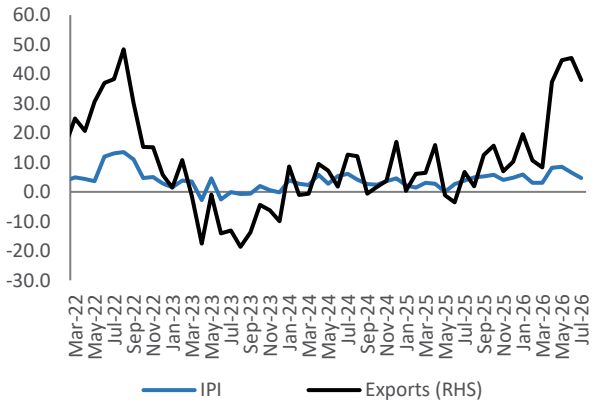
*n.a.: not available
Source: Macrobond, MBSBR

Chart 1: IPI Performance by Sector (YoY%)



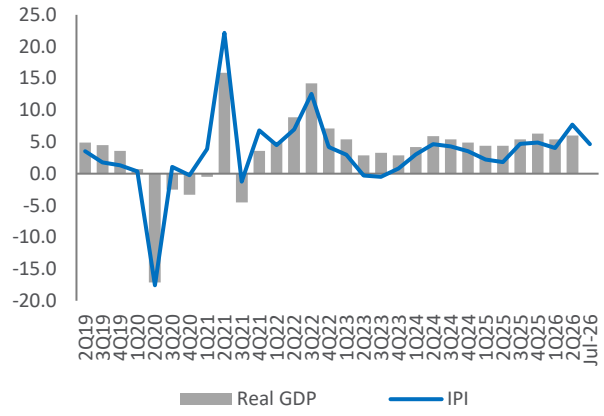
Source: Macrobond, MBSBR

Chart 2: IPI vs Exports (YoY%)



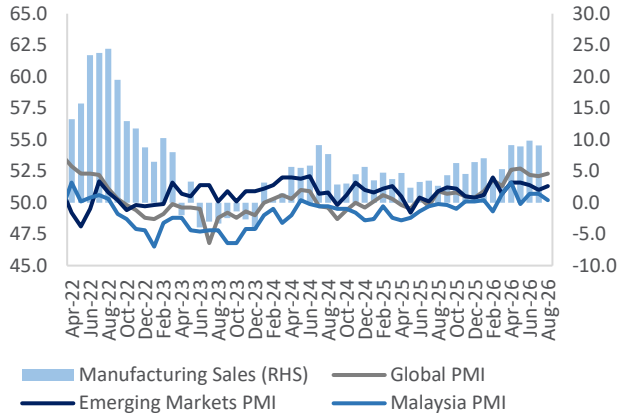
Source: Macrobond, MBSBR

Chart 3: IPI vs GDP (YoY%)



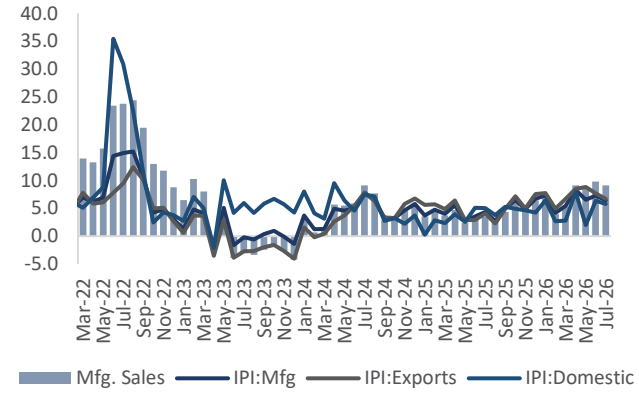
Source: Macrobond, MBSBR

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



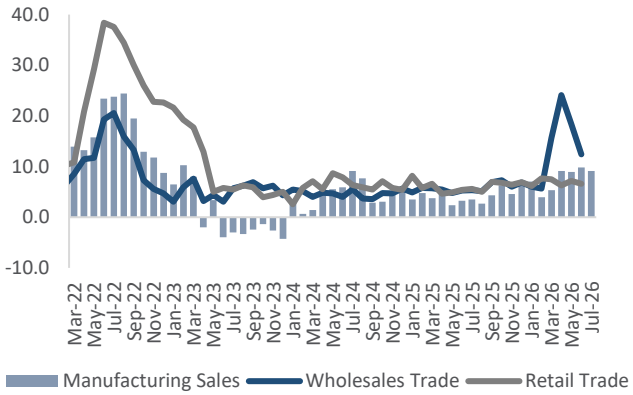
Source: Macrobond, MBSBR

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



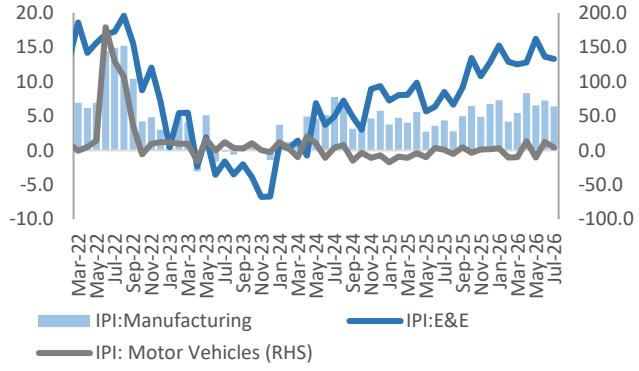
Source: DOSM, MBSBR

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



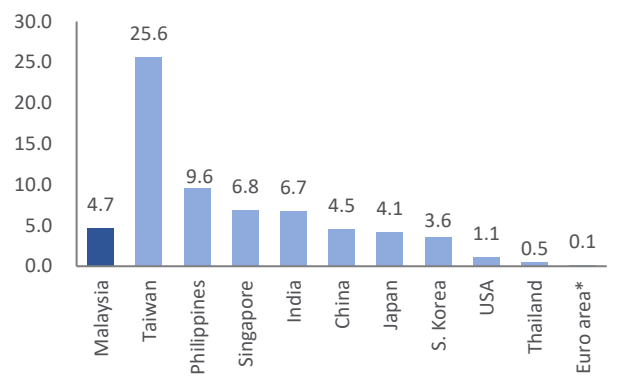
Source: DOSM, MBSBR

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



Source: Macrobond, MBSBR

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



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

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