IPI Rose Faster by +5.0%yoy Driven by Stronger Manufacturing Output

Economic Review
Aug-26 Industrial Production



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- Malaysia's IPI growth improved to +5.0%yoy in Aug-26 (Jul-26: +4.7%yoy), driven by stronger manufacturing output and electricity generation. However, mining output contracted further by -7.4%yoy due to lower output of crude petroleum and LNG. For 8MCY26, IPI expanded by +5.6%yoy (8MCY25: +2.6%yoy), reflecting robust industrial activity.
- Manufacturing sales growth accelerated to +9.9%yoy in Aug-26 (Jul-26: +9.1%yoy), with sales value reaching RM185.0b. The stronger growth was mainly supported by robust sales of E&E (+22.6%yoy), alongside continued demand for petroleum, chemical, rubber & plastic products (+5.2%yoy).
- We maintain our 2026 IPI growth forecast at +4.0% (2025: +3.4%). Robust growth in 8MCY26 and resilient exports, particularly E&E products, suggest potential upside to our forecast. Industrial activity will remain supported by external and domestic demand. Supply disruptions, elevated cost pressures, weaker final demand and tighter trade policies remain key downside risks, with re-escalation in geopolitical tensions and heightened uncertainties affecting the trade outlook.

IPI growth improved on stronger manufacturing output

Malaysia's IPI growth edged up to +5.0%yoy in Aug-26 (Jul-26: +4.7%yoy), following two consecutive months of moderation. The improvement was driven by stronger manufacturing production (+7.4%yoy; Jul-26: +6.4%yoy) and electricity output (+9.0%yoy; Jul-26: +5.5%yoy). In contrast, mining contracted further by -7.4%yoy (Jul-26: -3.2%yoy) as crude petroleum production fell by -12.2%yoy (Jul-26: -13.1%yoy) and natural gas output declined by -4.3%yoy (Jul-26: +3.6%yoy). The stronger manufacturing reading, particularly in E&E products, indicates continued resilience in factory activity despite persistent weakness in the mining sector. For 8MCY26, overall IPI expanded by +5.6%yoy (8MCY25: +2.6%yoy), supported by stronger manufacturing production (+6.6%yoy; 8MCY25: +3.9%yoy) and rebounds in electricity (+6.5%yoy; 8MCY25: -2.0%yoy) and mining (+0.8%yoy; 8MCY25: -0.8%yoy) output.

Manufacturing growth accelerated, led by E&E

Manufacturing continued to be the main driver of industrial production in Aug-26. E&E production strengthened to +17.0%yoy (Jul-26: +13.3%yoy), while machinery & equipment (+13.8%yoy) and basic metals (+9.9%yoy) maintained relatively firm growth. Production of refined petroleum products also picked up to +5.4%yoy (Jul-26: +1.1%yoy). However, computers & peripheral equipment slowed to +1.2%yoy (Jul-26: +8.3%yoy), while motor vehicle production declined by -5.3%yoy (Jul-26: +4.2%yoy). Overall, manufacturing remained resilient, although growth varied across subsectors.

Export-oriented production strengthened; domestic growth eased

Export-oriented manufacturing production accelerated to +9.1%yoy in Aug-26 (Jul-26: +6.7%yoy), mainly supported by stronger growth in computer, electronic & optical products (+18.8%yoy; Jul-26: +14.0%yoy) and continued expansion in machinery & equipment (+13.8%yoy). In line with this, E&E exports grew faster in Aug-26 (+66.5%yoy; Jul-26: +51.0%), alongside sustained growth in exports of machinery, equipment & parts (+8.6%yoy; Jul-26: +9.6%). Refined petroleum production also strengthened to +5.4%yoy (Jul-26: +1.1%), consistent with resilient external demand. In contrast, IPI for the domestic-oriented sectors grew slower at +3.9%yoy (Jul-26: +5.8%yoy), as higher output of processed

foods (+6.5%yoy) and basic metals (+9.9%yoy) was partly offset by weaker motor vehicle production. This divergence between sectors indicates that export-related production, particularly technology manufacturing, was the main source of strength in August.

IPI rebounded on monthly basis in Aug-26

On a seasonally adjusted basis, Malaysia's IPI rebounded by +0.5%mom in Aug-26 (Jul-26: -0.1%mom), following three consecutive monthly declines. The improvement was supported by a recovery in mining output (+2.9%mom; Jul-26: -4.9%mom) and stronger electricity generation (+2.3%mom; Jul-26: +0.3%mom). In contrast, manufacturing output contracted by -0.4%mom (Jul-26: +1.1%mom). Hence, despite the stronger annual manufacturing growth, the monthly decline suggests that production momentum remains uneven across sectors. Looking at the PMI report, Malaysia's manufacturing PMI eased to 50.2 in Aug-26 (Jul-26: 50.7), signaling slower growth in manufacturing activities mainly attributable to slower new orders and moderation in output. The pace of growth remained relatively unchanged in Sep-26 as further softening in demand and output resulted in further easing in manufacturing PMI to 49.9 but balanced by increases in hirings and stock of purchases.

Manufacturing sales growth accelerated in Aug-26

Manufacturing sales growth strengthened to +9.9%yoy in Aug-26 (Jul-26: +9.1%yoy), with sales value reaching RM185.0b. The improvement was mainly supported by robust sales of E&E products (+22.6%yoy), alongside a +5.2%yoy increase in petroleum, chemical, rubber & plastic products. In contrast, sales of food, beverages & tobacco grew more moderately by +0.3%yoy (Jul-26: +3.9%yoy). On a monthly basis, total manufacturing sales rose by +4.3%mom to RM185.0b from RM177.3b in July. The continued expansion in sales, especially in E&E, remains supportive of the industrial outlook, although uneven performance across industries warrants some caution. Looking ahead, manufacturing sales growth will likely reflect the performance of external and domestic trade, with variations across industries depending on demand conditions.

Technology-related production remained supportive

Industrial production across major economies showed mixed trends in Aug-26, although technology-related producers continued to record relatively steady and robust growth. Singapore's IPI accelerated to +15.4%yoy (Jul-26: +6.9%yoy), while Taiwan maintained robust expansion at +23.5%yoy (Jul-26: +23.9%yoy). IPI growth also strengthened in the Philippines (+10.8%yoy; Jul-26: +9.9%yoy), India (+8.0%yoy; Jul-26: +7.4%yoy), China (+5.2%yoy; Jul-26: +4.5%yoy) and Thailand (+4.4%yoy; Jul-26: +4.0%yoy). In contrast, South Korea's industrial production contracted by -2.2%yoy (Jul-26: +4.0%yoy), while Japan's IPI growth eased to +3.4%yoy (Jul-26: +3.9%yoy). In the US, industrial production rose stronger by +1.4%yoy (Jul-26: +1.1%yoy), mainly driven by higher output in the utilities industry. Overall, the readings point to continued strength in several regional manufacturing hubs, particularly Taiwan and Singapore, despite uneven momentum across economies.

Maintain 2026 IPI growth forecast at +4.0% for now

We maintain our forecast that Malaysia's IPI growth would accelerate to +4.0% this year (2025: +3.4%). While Aug-26 growth came in stronger than expected, we continue to anticipate some moderation in the latter part of 2HCY26 due to higher base effects. Nevertheless, we acknowledge potential upside to our IPI growth projection, given the robust expansion in 8MCY26 and continued resilience in exports. Apart from sustained external demand, especially for E&E products, we expect industrial production to remain supported by growing domestic demand. However, potential supply disruptions, elevated cost pressures, weaker final demand and tighter trade policies could constrain the pace of expansion, particularly if geopolitical tensions re-escalate and uncertainties surrounding global trade heighten.

Table 1: Malaysia – Summary of Industrial Production Index

	MoM%*				YoY%			
	May-26	Jun-26	Jul-26	Aug-26	May-26	Jun-26	Jul-26	Aug-26
IPI	(0.3)	(0.5)	(0.1)	0.5	8.5	6.5	4.7	5.0
Mining	0.0	(1.7)	(4.9)	2.9	19.8	3.1	(3.2)	(7.4)
Manufacturing	(2.2)	0.9	1.1	(0.4)	6.6	7.3	6.4	7.4
Electricity	(3.3)	2.3	0.3	2.3	4.8	6.7	5.5	9.0

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

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

	Mar-26	Apr-26	May-26	Jun-26	Jul-26	Aug-26
IPI	**3.1**	**8.2**	**8.5**	**6.5**	**4.7**	**5.0**
Mining	**(6.5)**	**6.8**	**19.8**	**3.1**	**(3.2)**	**(7.4)**
Crude Petroleum	(11.3)	(6.4)	(0.7)	(3.3)	(13.1)	(12.2)
Natural Gas	(3.4)	16.6	37.4	7.4	3.6	(4.3)
Manufacturing	**5.5**	**8.3**	**6.6**	**7.3**	**6.4**	**7.4**
Food Products	9.5	8.8	(1.1)	1.3	0.8	1.2
Refined Petroleum Products	2.4	4.2	7.8	2.9	1.1	5.4
Chemicals & Chemicals Products	(1.0)	2.9	1.3	2.6	2.2	0.4
Rubber Products	(2.8)	4.5	(1.9)	1.6	1.4	1.3
Basic Metals	4.5	7.2	7.3	8.2	10.1	9.9
Electrical & Electronic Products	12.5	12.8	16.2	13.6	13.3	17.0
Computers & Peripheral Equipment	(4.8)	8.5	(10.7)	2.3	8.3	1.2
Machinery & Equipment	3.8	7.7	6.8	10.6	14.6	13.8
Motor Vehicles, Trailers & Semi-Trailers	(9.8)	13.5	(10.3)	12.6	4.2	(5.3)
Electricity	**4.8**	**10.5**	**4.8**	**6.7**	**5.5**	**9.0**

Source: Macrobond, MBSBR

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

	Feb-26	Mar-26	Apr-26	May-26	Jun-26	Jul-26	Aug-26
IPI: Export-Oriented Industries	**4.9**	**6.7**	**8.5**	**8.9**	**7.7**	**6.7**	**9.1**
Computer, Electronic and Optical Products	15.7	14.8	14.6	19.3	14.9	14.0	18.8
Electrical Equipment	3.5	3.0	5.2	3.5	6.5	6.8	4.7
Chemicals and Chemical Products	(0.1)	(1.0)	2.9	1.3	2.6	2.1	0.4
Coke and Refined Petroleum Products	(3.4)	2.4	4.2	7.8	2.9	1.1	5.4
Vegetable & animal oils & fats	0.2	13.5	9.3	(9.2)	(7.3)	(9.7)	(7.9)
Textiles	(5.1)	(2.4)	1.2	(2.1)	(1.3)	(2.5)	(1.7)
Wearing Apparel	(0.8)	2.7	4.5	(0.9)	0.2	2.7	0.3
Wood and Wood Products	2.9	3.2	5.1	1.2	4.8	3.0	(1.1)
Furniture	3.9	3.4	5.9	5.7	7.9	8.7	9.5
Rubber Products	(2.6)	(2.8)	4.5	(1.9)	1.5	1.4	1.3

Source: DOSM, MBSBR

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

	Feb-26	Mar-26	Apr-26	May-26	Jun-26	Jul-26	Aug-26
IPI: Domestic-Oriented Industries	**2.7**	**2.8**	**8.0**	**2.0**	**6.4**	**5.8**	**3.9**
Construction (CO)	3.5	3.7	6.5	4.9	5.0	5.9	5.7
CO: Non-Metallic Mineral	3.2	2.6	6.7	2.9	6.2	6.4	5.4
CO: Iron and Steel	3.6	4.5	7.2	7.3	8.2	10.1	9.9
CO: Fabricated Metal	3.6	4.0	5.8	4.6	2.3	2.8	3.2
Consumer (CS)	2.2	2.2	8.9	0.5	7.1	5.8	2.9
CS: Food Products	8.3	7.3	8.6	3.7	6.3	7.2	6.5
CS: Motor Vehicles, Trailers and Semi-Trailers	(10.5)	(9.8)	13.5	(10.3)	12.5	4.2	(5.2)
CS: Other Transport Equipment	4.0	3.2	4.5	2.0	3.1	1.2	0.2
CS: Beverages	11.1	9.1	12.4	5.4	6.0	4.4	2.3
CS: Tobacco Products	1.9	3.6	4.8	5.3	3.2	4.7	2.8
CS: Paper and Paper Products	(2.8)	(1.9)	2.2	4.1	6.2	4.1	3.0
CS: Others	2.5	1.5	2.6	1.3	4.2	3.7	5.9

Source: DOSM, MBSBR

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

	MoM%			YoY%		
	Jun-26	Jul-26	Aug-26	Jun-26	Jul-26	Aug-26
Manufacturing Sales	**2.5**	**0.2**	**4.3**	**9.8**	**9.1**	**9.9**
Seasonally adjusted month-on-month change (%)	*9.8*	*7.4*	*8.9*	-	-	-
Refined Petroleum Products	19.9	0.3	5.0	5.4	3.3	8.3
Chemicals and Chemical Products	(0.1)	4.8	2.9	3.9	3.6	2.3
Rubber Gloves	(5.9)	3.1	(18.0)	3.4	3.5	1.9
Iron & Steel Products	(4.2)	1.1	5.7	8.8	11.6	9.1
Diodes, Transistor & Electronic Integrated Circuits Mic	0.1	(5.4)	20.2	33.6	27.8	45.7
Electrical Capacitor Resistor, Circuit Board & Display Comp	(12.1)	(10.5)	5.5	29.9	28.7	19.8
Computers & Peripherals Equipment	27.4	2.2	4.1	1.0	3.2	1.2
Consumer Electronics	11.5	3.1	11.8	(37.1)	(36.3)	(22.8)
Motor Vehicles	3.3	17.8	(13.5)	18.6	7.7	(6.8)

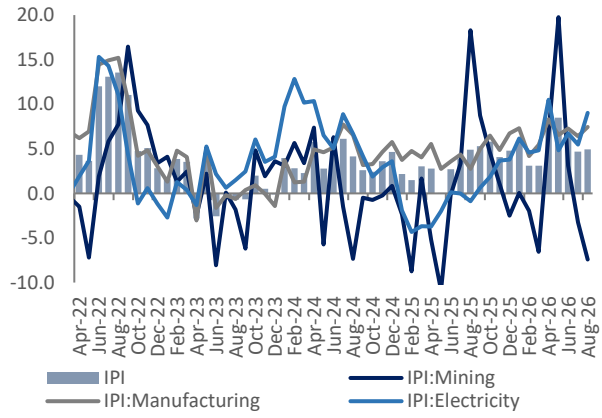
Source: Macrobond, DOSM, MBSBR

Table 6: IPI for Selected Economies (YoY%)

	Jan-26	Feb-26	Mar-26	Apr-26	May-26	Jun-26	Jul-26	Aug-26
Malaysia	5.9	3.1	3.1	8.2	8.5	6.5	4.7	5.0
Philippines	(5.2)	4.3	12.7	13.8	13.7	14.6	9.9	10.8
Thailand	6.4	4.7	5.8	3.5	2.1	0.7	4.0	4.4
Singapore	9.5	7.2	6.3	13.7	17.8	7.6	6.9	15.4
S. Korea	6.8	(2.3)	3.8	1.3	(1.1)	6.2	4.0	(2.2)
Taiwan	27.9	16.6	26.1	14.9	11.9	22.6	23.9	23.5
China	6.3	6.3	5.7	4.1	4.5	5.3	4.5	5.2
India	4.1	4.4	3.0	4.9	5.0	8.8	7.4	8.0
Japan	0.7	0.4	2.4	2.0	(2.1)	4.9	3.9	3.4
Euro area	(1.3)	(1.2)	(3.0)	0.2	(0.2)	(0.3)	0.0	n.a.
USA	1.0	0.8	0.7	1.4	1.7	1.3	1.1	1.4

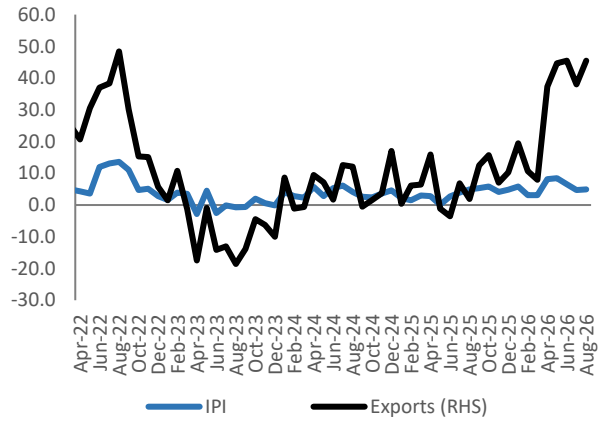
*n.a.: not available
Source: Macrobond, MBSBR

Chart 1: IPI Performance by Sector (YoY%)



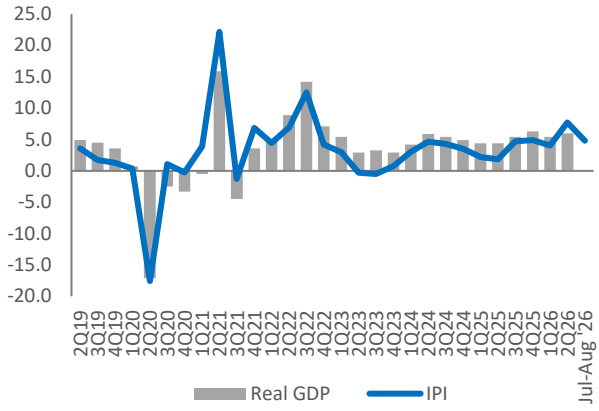
Source: Macrobond, MBSBR

Chart 2: IPI vs Exports (YoY%)



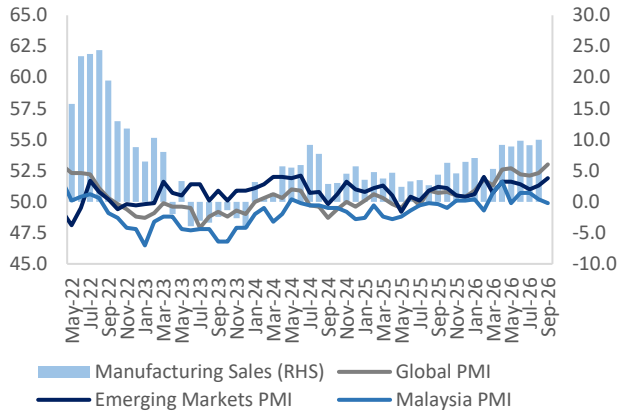
Source: Macrobond, MBSBR

Chart 3: IPI vs GDP (YoY%)



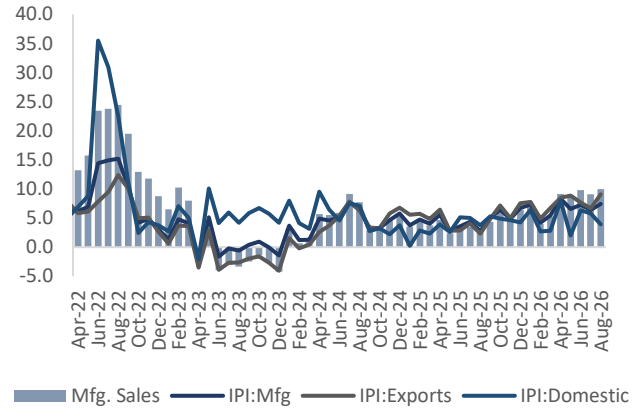
Source: Macrobond, MBSBR

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



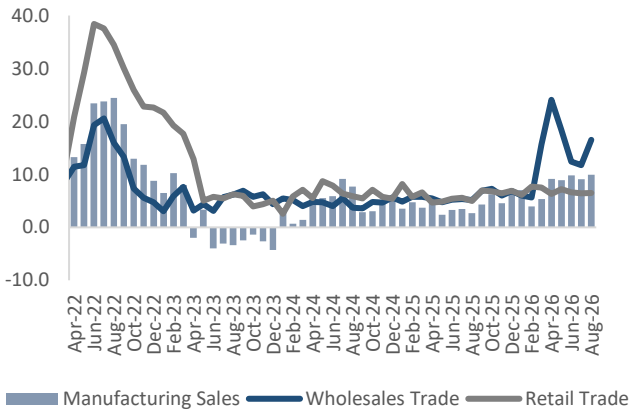
Source: Macrobond, MBSBR

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



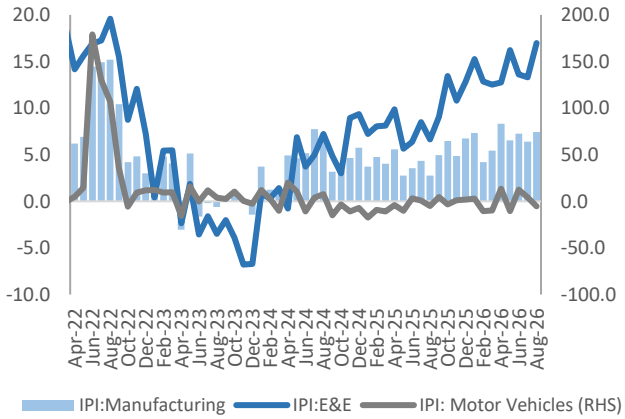
Source: Macrobond, DOSM, MBSBR

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



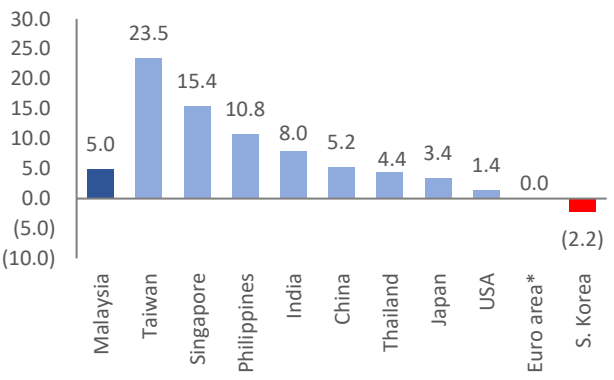
Source: Macrobond, DOSM, MBSBR

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



Source: Macrobond, MBSBR

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



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

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