IPI Grew Faster at +6.3%yoy in Sep-26, Led by Manufacturing and Electricity

Economic Review
Sep-26 Industrial Production



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- Malaysia's IPI growth accelerated to +6.3%yoy in Sep-26 (Aug-26: +5.0%yoy), supported by stronger manufacturing and electricity output. Mining output, however, contracted further as crude petroleum and natural gas production declined. Industrial output expanded by approximately +5.7%yoy in 9MCY26 (9MCY25: +2.9%yoy), indicating sustained resilience.
- Manufacturing sales remained resilient with a stronger rise of +12.9%yoy in Sep-26 (Aug-26: +9.9%yoy), driven mainly by strong demand for E&E products. The continued strength in technology-related sales reflects sustained external demand, consistent with robust export performance.
- We revise our 2026 IPI growth forecast upward to +5.5% (2025: +3.4%; previous forecast: +4.0%), reflecting robust output in 9MCY26 and sustained external demand, particularly for E&E products. The rebound in manufacturing PMI in Oct-26 points to continued expansion in manufacturing activity going into 4QCY26, although weak mining output, higher costs and trade uncertainties remain downside risks to the production outlook.

IPI growth accelerated, led by manufacturing and electricity output

Malaysia's IPI growth accelerated to +6.3%yoy in Sep-26 (Aug-26: +5.0%yoy), exceeding market and our expectations of +5.8%yoy and 5.5-6.0%yoy, respectively. The higher IPI growth was underpinned by stronger manufacturing output (+9.4%yoy; Aug-26: +7.4%yoy) and electricity generation (+10.7%yoy; Aug-26: +9.0%yoy). In contrast, mining output contracted further by -9.4%yoy (Aug-26: -7.4%yoy), reflecting declines in crude petroleum (-11.8%yoy) and natural gas (-7.9%yoy) production. The stronger output in the manufacturing sector alone already more than offset the weakness in mining production. For 9MCY26, overall IPI growth is estimated at around +5.7%yoy (8MCY26: +5.6%yoy; 9MCY25: +2.9%yoy), suggesting industrial activity remained resilient despite uneven sectoral performance.

Manufacturing growth broadened, with E&E leading

Manufacturing output continued to be the main driver of IPI growth in Sep-26. E&E production rose faster by +17.3%yoy (Aug-26: +16.9%yoy), while machinery & equipment (+12.9%yoy) and basic metals (+10.2%yoy) maintained double-digit growth. Production also strengthened in food products (+7.7%yoy), refined petroleum (+6.0%yoy), computers & peripheral equipment (+7.6%yoy) and motor vehicles (+10.6%yoy; Aug-26: -5.3%yoy). However, chemicals & chemical products contracted by -1.7%yoy, indicating that growth remained uneven across subsectors.

Both export- and domestic-oriented output strengthened

Export-oriented manufacturing production accelerated to +10.7%yoy in Sep-26 (Aug-26: +9.1%yoy), led by computer, electronic & optical products (+19.3%yoy), alongside machinery-related activities. This is consistent with the sharp acceleration in Malaysia's goods exports (Sep-26: +54.5%yoy; Aug-26: +45.4%yoy), on the back of resilient external demand particularly for technology-related products. At the same time, domestic-oriented production rebounded to +6.6%yoy (Aug-26: +3.9%yoy), supported by food products (+7.5%yoy), basic metals (+10.2%yoy) and motor vehicles (+10.6%yoy). The improvement indicates broader support from both export and domestic-oriented activities.

Monthly IPI growth improved; PMI signals positive momentum to continue in Oct-26

On a seasonally adjusted basis, Malaysia's IPI increased by +1.2%mom in Sep-26 (Aug-26: +0.5%mom), underpinned by stronger manufacturing output (+2.4%mom) and electricity generation (+1.4%mom). However, mining output declined by -4.7%mom, underscoring its continued drag on industrial performance. Looking ahead, Malaysia's manufacturing PMI rebounded to 51.0 in Oct-26 (Sep-26: 49.9), returning to expansion as new orders and output improved, partly supported by AI-related demand. The stronger PMI suggests manufacturing growth could be sustained into 4QCY26, although rising material and transport costs and supply-chain uncertainties may temper momentum. In other words, Malaysia's economy will continue to growth in 4QCY26, with industrial output expected to continue growing on the back of growing domestic and external demand.

Technology-related sales remained supportive

Manufacturing sales also remained resilient with a faster rise of +12.9%yoy in Sep-26 (Aug-26: +9.9%yoy). Sales of selected technology-related components remained robust, including diodes, transistors & electronic integrated circuits (+43.1%yoy) and electrical capacitors, resistors, circuit boards & display components (+19.5%yoy). Sales of iron & steel products also expanded robustly (+12.4%yoy), while sales of consumer electronics continued to contract (-22.6%yoy). On monthly basis, manufacturing sales grew sustainably by +3.3%mom (Aug-26: +4.3%mom), supported by higher increased sales of iron & steel products, E&E, and rubber gloves, in contrast to the declines in computers & peripheral equipment, refined petroleum products, chemicals & chemical products and motor vehicles. Overall, based on the annual performance, the sales breakdown points to sustained E&E-related demand, although performance varied across industries. These trends suggest continued support from technology manufacturing, alongside uneven performance across other industries.

Most economies reported positive IPI growth, albeit at different pace

Industrial production across major economies continued to show mixed trends in Sep-26, although technology-oriented producers generally recorded stronger growth. Taiwan maintained robust expansion at +19.2%yoy (Aug-26: +22.8%yoy), while the Philippines' IPI strengthened to +12.7%yoy (Aug-26: +10.0%yoy). China (+5.5%yoy), India (+6.7%yoy) and the US (+2.2%yoy) also registered positive growth, indicating companies raising output to cope with growing demand. In contrast, Singapore's IPI moderated to +3.4%yoy (Aug-26: +15.4%yoy), alongside softer growth in Thailand (+2.0%yoy) and Japan (+1.9%yoy). South Korea returned to modest expansion (+1.2%yoy; Aug-26: -1.7%yoy), while euro-area industrial output remained weak in the latest available reading. Overall, regional production trends suggest continued technology-related demand, despite uneven industrial momentum. PMI reports, however, indicated manufacturing firms facing challenges from rising higher prices of inputs and raw materials and delivery charges, as a result of the elevated global energy prices.

Raise 2026 IPI growth forecast to +5.5%

We revise our 2026 IPI growth forecast upward to +5.5% (2025: +3.4%; previous forecast: +4.0%), taking into account the stronger-than-expected performance in 9MCY26 and sustained resilience in exports. With IPI expanding by around +5.7%yoy in the first nine months, our revised full-year projection implies growth of approximately +5.0%yoy in 4QCY26, allowing for some moderation amid base effects and persistent weakness in the mining output. Nevertheless, resilience in the external trade and the rebound in manufacturing PMI in October suggest manufacturing output could remain supportive through the final quarter. The outlook also benefits from domestic demand and the extension in US-China trade truce. Nevertheless, prolonged supply disruptions, elevated costs, weaker final demand and further trade restrictions remain key downside risks.

Table 1: Malaysia – Summary of Industrial Production Index

	MoM%*				YoY%			
	Jun-26	Jul-26	Aug-26	Sep-26	Jun-26	Jul-26	Aug-26	Sep-26
IPI	(0.5)	(0.1)	0.5	1.2	6.5	4.7	5.0	6.3
Mining	(1.7)	(4.9)	2.9	(4.7)	3.1	(3.2)	(7.4)	(9.4)
Manufacturing	0.9	1.1	(0.4)	2.4	7.3	6.4	7.4	9.4
Electricity	2.3	0.3	2.3	1.4	6.7	5.5	9.0	10.7

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

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

	Apr-26	May-26	Jun-26	Jul-26	Aug-26	Sep-26
IPI	**8.2**	**8.5**	**6.5**	**4.7**	**5.0**	**6.3**
Mining	**6.8**	**19.8**	**3.1**	**(3.2)**	**(7.4)**	**(9.4)**
Crude Petroleum	(6.4)	(0.7)	(3.3)	(13.1)	(12.2)	(11.8)
Natural Gas	16.6	37.4	7.4	3.6	(4.3)	(7.9)
Manufacturing	**8.3**	**6.6**	**7.3**	**6.4**	**7.4**	**9.4**
Food Products	8.8	(1.1)	1.3	0.8	1.3	7.7
Refined Petroleum Products	4.2	7.8	2.9	1.1	5.4	6.0
Chemicals & Chemicals Products	2.9	1.3	2.6	2.2	0.4	(1.7)
Rubber Products	4.5	(1.9)	1.6	1.4	1.3	2.3
Basic Metals	7.2	7.3	8.2	10.1	9.9	10.2
Electrical & Electronic Products	12.8	16.2	13.6	13.3	16.9	17.3
Computers & Peripheral Equipment	8.5	(10.7)	2.3	8.3	1.2	7.6
Machinery & Equipment	7.7	6.8	10.6	14.6	12.4	12.9
Motor Vehicles, Trailers & Semi-Trailers	13.5	(10.3)	12.6	4.2	(5.3)	10.6
Electricity	**10.5**	**4.8**	**6.7**	**5.5**	**9.0**	**10.7**

Source: Macrobond, MBSBR

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

	Mar-26	Apr-26	May-26	Jun-26	Jul-26	Aug-26	Sep-26
IPI: Export-Oriented Industries	**6.7**	**8.5**	**8.9**	**7.7**	**6.7**	**9.1**	**10.7**
Computer, Electronic and Optical Products	14.8	14.6	19.3	14.9	14.0	19.0	19.3
Electrical Equipment	3.0	5.2	3.5	6.5	6.8	4.7	5.7
Chemicals and Chemical Products	(1.0)	2.9	1.3	2.6	2.1	0.4	(1.8)
Coke and Refined Petroleum Products	2.4	4.2	7.8	2.9	1.1	5.4	6.0
Vegetable & animal oils & fats	13.5	9.3	(9.2)	(7.3)	(9.7)	(7.9)	7.9
Textiles	(2.4)	1.2	(2.1)	(1.3)	(2.5)	(1.7)	5.8
Wearing Apparel	2.7	4.5	(0.9)	0.2	2.7	0.3	1.3
Wood and Wood Products	3.2	5.1	1.2	4.8	3.0	(1.1)	3.7
Furniture	3.4	5.9	5.7	7.9	8.7	9.5	11.0
Rubber Products	(2.8)	4.5	(1.9)	1.5	1.4	1.3	2.3

Source: DOSM, MBSBR

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

	Mar-26	Apr-26	May-26	Jun-26	Jul-26	Aug-26	Sep-26
IPI: Domestic-Oriented Industries	**2.8**	**8.0**	**2.0**	**6.4**	**5.8**	**3.9**	**6.6**
Construction (CO)	3.7	6.5	4.9	5.0	5.9	5.7	6.8
CO: Non-Metallic Mineral	2.6	6.7	2.9	6.2	6.4	5.4	7.8
CO: Iron and Steel	4.5	7.2	7.3	8.2	10.1	9.9	10.2
CO: Fabricated Metal	4.0	5.8	4.6	2.3	2.8	3.2	4.1
Consumer (CS)	2.2	8.9	0.5	7.1	5.8	3.0	6.5
CS: Food Products	7.3	8.6	3.7	6.3	7.2	6.7	7.5
CS: Motor Vehicles, Trailers and Semi-Trailers	(9.8)	13.5	(10.3)	12.5	4.2	(5.2)	10.6
CS: Other Transport Equipment	3.2	4.5	2.0	3.1	1.2	0.2	(2.5)
CS: Beverages	9.1	12.4	5.4	6.0	4.4	2.3	3.7
CS: Tobacco Products	3.6	4.8	5.3	3.2	4.7	2.8	4.2
CS: Paper and Paper Products	(1.9)	2.2	4.1	6.2	4.1	3.0	4.7
CS: Others	1.5	2.6	1.3	4.2	3.7	5.9	6.4

Source: DOSM, MBSBR

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

	MoM%			YoY%		
	Jul-26	Aug-26	Sep-26	Jul-26	Aug-26	Sep-26
Manufacturing Sales	**0.2**	**4.3**	**3.3**	**9.1**	**9.9**	**12.9**
Seasonally-adjusted month-on-month change (%)	*7.4*	*8.9*	*13.5*	-	-	-
Refined Petroleum Products	0.3	5.0	(1.6)	3.3	8.3	9.6
Chemicals and Chemical Products	4.8	2.9	(6.5)	3.6	2.3	1.3
Rubber Gloves	3.1	(18.0)	4.7	3.5	1.9	2.2
Iron & Steel Products	1.1	5.7	23.3	11.6	9.1	12.4
Diodes, Transistor & Electronic Integrated Circuits Mic	(5.4)	20.2	8.6	27.8	45.7	43.1
Electrical Capacitor Resistor, Circuit Board & Display Comp	(10.5)	5.5	14.6	28.7	19.8	19.5
Computers & Peripherals Equipment	2.2	4.1	(37.4)	3.2	1.2	11.9
Consumer Electronics	3.1	11.8	1.3	(36.3)	(22.8)	(22.6)
Motor Vehicles	17.8	(13.5)	(0.8)	7.7	(6.8)	6.7

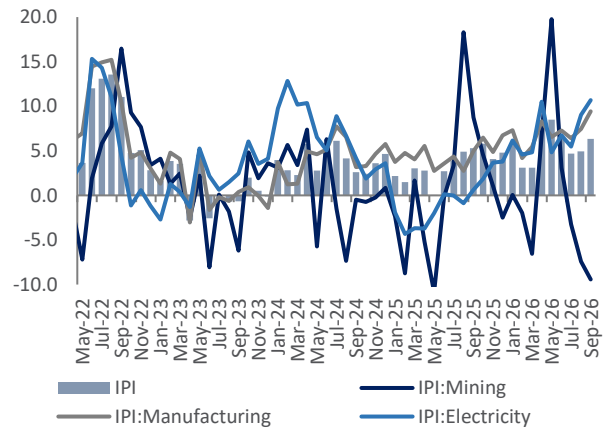
Source: Macrobond, DOSM, MBSBR

Table 6: IPI for Selected Economies (YoY%)

	Feb-26	Mar-26	Apr-26	May-26	Jun-26	Jul-26	Aug-26	Sep-26
Malaysia	3.1	3.1	8.2	8.5	6.5	4.7	5.0	6.3
Philippines	3.9	12.4	13.1	13.2	14.8	9.6	10.0	12.7
Thailand	2.0	4.4	2.0	0.7	0.5	4.0	4.2	2.0
Singapore	7.3	6.4	13.7	17.9	8.3	7.5	15.4	3.4
S. Korea	(2.3)	3.8	1.3	(1.1)	6.2	4.3	(1.7)	1.2
Taiwan	16.6	26.1	14.9	11.9	22.6	23.9	22.8	19.2
China	6.3	5.7	4.1	4.5	5.3	4.5	5.2	5.5
India	4.4	3.0	4.9	5.0	8.8	7.4	8.0	6.7
Japan	0.4	2.4	2.0	(2.1)	4.9	3.9	2.7	1.9
Euro area	(1.2)	(3.0)	0.2	(0.1)	(0.2)	(0.3)	(1.1)	n.a.
USA	0.8	0.7	1.4	1.7	1.5	1.3	1.6	2.2

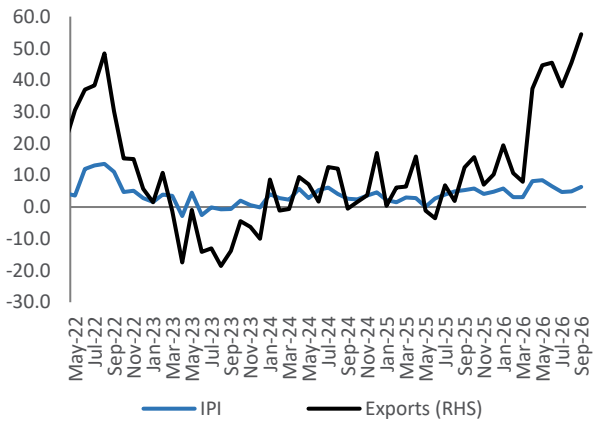
*n.a.: not available
Source: Macrobond, MBSBR

Chart 1: IPI Performance by Sector (YoY%)



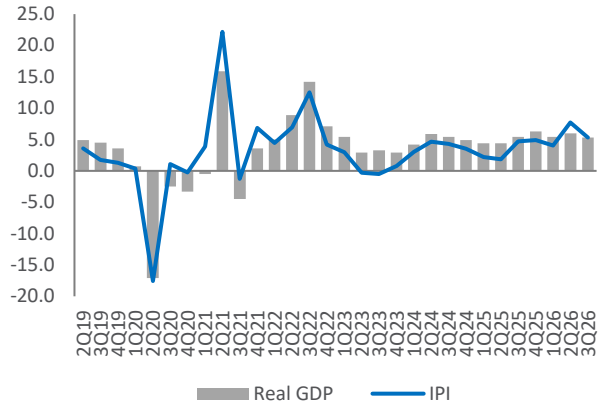
Source: Macrobond, MBSBR

Chart 2: IPI vs Exports (YoY%)



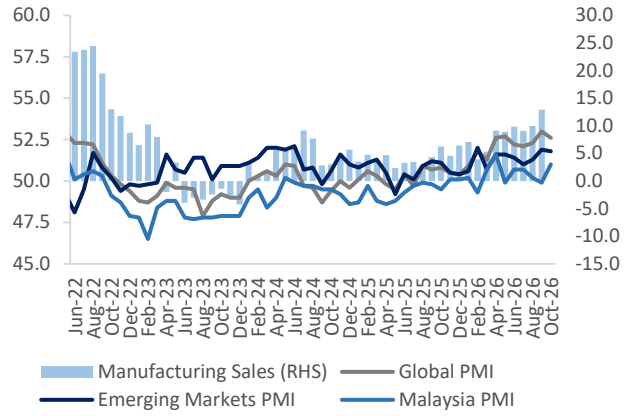
Source: Macrobond, MBSBR

Chart 3: IPI vs GDP (YoY%)



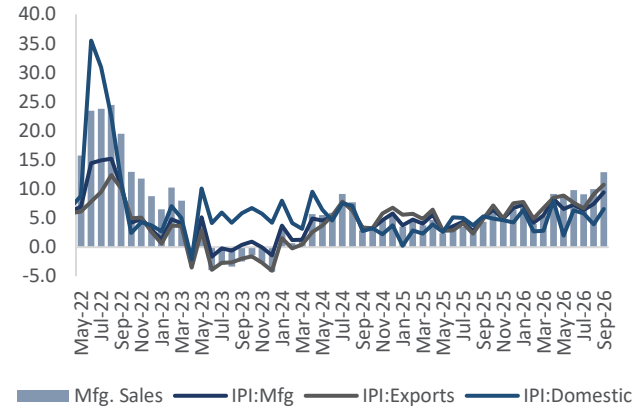
Source: Macrobond, MBSBR

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



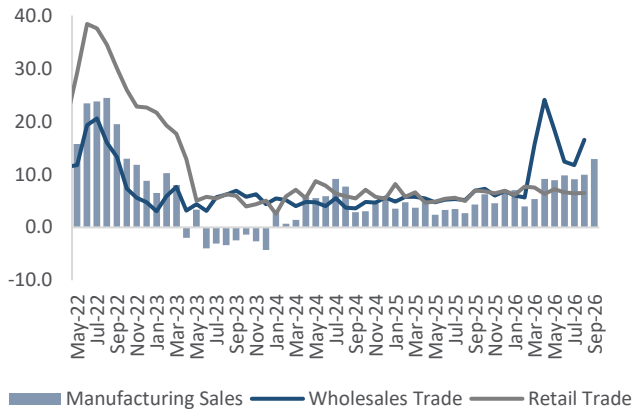
Source: Macrobond, MBSBR

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



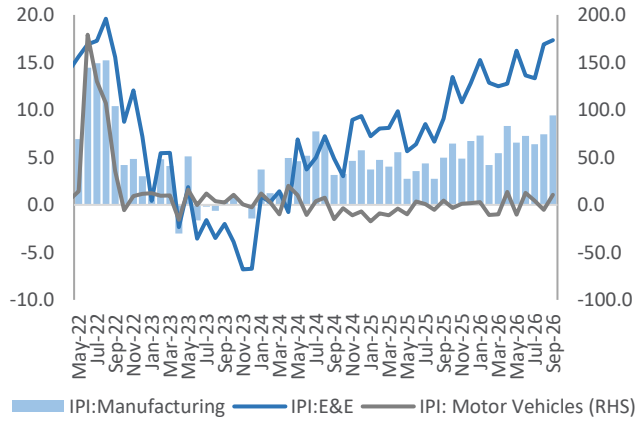
Source: Macrobond, DOSM, MBSBR

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



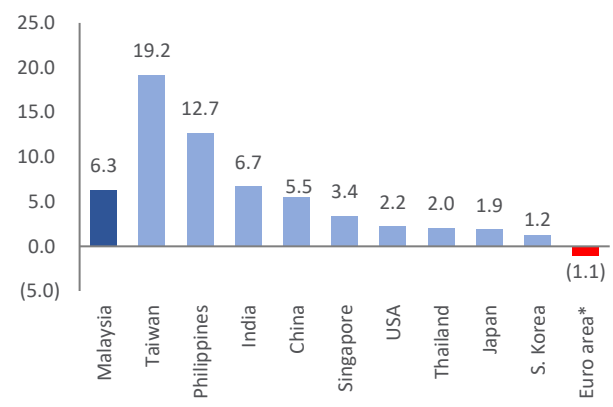
Source: Macrobond, DOSM, MBSBR

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



Source: Macrobond, MBSBR

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



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

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