

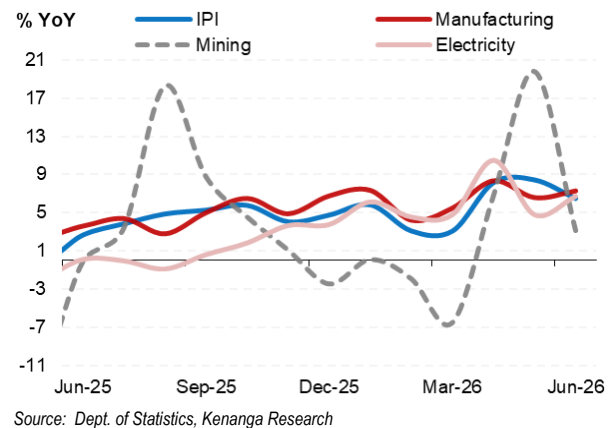
12 August 2026

Malaysia Industrial Production (Jun-26)

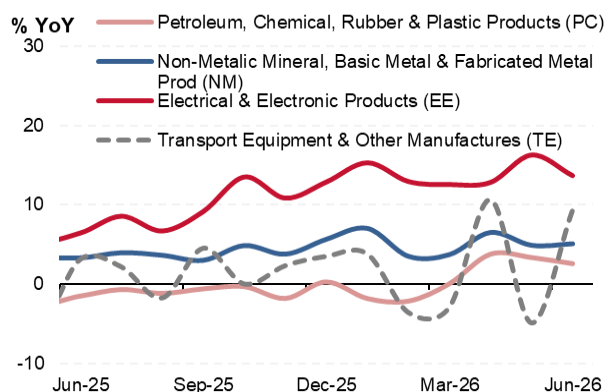
Growth cools from May's peak, but manufacturing engine keeps humming

- Industrial Production Index (IPI) growth slowed to 6.5% YoY in June (May: 8.5%), slightly below expectations (KIBB: 6.9%; consensus: 7.2%). Despite the moderation, IPI accelerated to 7.7% in 2Q26 (1Q26: 4.0%), the strongest pace in 15 quarters**
 - MoM growth rose to 5.5% (May: 1.4%) in line with long run (how many months or years) average of 5.5%.
- The manufacturing index expanded to 7.3% YoY (May: 6.6%), driven by a strong rebound in transport equipment & other manufacturers (9.4%; May: -4.8%) and beverages & tobacco (1.8%; May: -0.3%). However, growth was partly capped by slower E&E (13.6%; May: 16.2%). Quarterly manufacturing growth accelerated to 7.4% in 2Q26 (1Q26: 5.7%), the fastest pace since 3Q22 (13.4%)**
 - Export-oriented** (7.6%; May: 8.8%): Slowed to a three-month low as output of computer, electronics & optical products (14.9%; May: 19.3%) and coke & refined petroleum products (2.9%; May: 7.8%) moderated.
 - Domestic-oriented** (6.4%; May: 2.0%): Expanded sharply, led by a strong recovery in motor vehicles, trailers & semi-trailers (12.6%; May: -10.3%) and continued growth in basic metals (8.2%; May: 7.3%).
 - MoM (7.6%; May: 2.1%): Expanded sharply to a three-month high, but milder than long run average of 8.1%.
- The mining index slowed sharply to 3.1% (May: 19.8%), a three-month low. However, quarterly mining output rebounded to 9.4% in 2Q26 (1Q26: -2.9%), a three-quarter high, as the US-Iran conflict pushed domestic production higher**
 - Natural gas output (14.8%; May: 37.4%) moderated sharply but was partially supported by a marginal recovery in crude petroleum (0.6%; May: -0.7%), marking the first growth in five months.
 - MoM (-0.3%; May: -2.2%): Contracted for a third straight month, though at a smaller rate, and remained below the long run average of 0.2%, reflecting softer underlying momentum despite the positive annual growth.
- The electricity index rose to 6.7% (May: 4.8%), bringing 2Q26 growth rose to 7.3% (1Q26: 5.2%), a nine-quarter high**
 - MoM (-2.9%; May: 1.8%): On a MoM basis, output plunged but milder than the long run average of -5.2%.
- We retain our 2026 manufacturing IPI forecast at 5.0% (2025: 4.5%), as moderation is still expected in 2H26**
 - Outlook:** Manufacturing IPI expanded 6.5% in 1H26 (2H25: 5.0%), suggesting production momentum remains firm despite heightened global uncertainty. Export-oriented industries continue to benefit from resilient E&E demand and higher global energy prices. July's Manufacturing PMI remained at 50.7 (Jun: 50.7), signalling continued expansion in manufacturing activity. Even so, we remain cautiously optimistic on 2H26, as output is expected to normalise from its recent peak.
 - GDP Forecast:** Given stronger-than-expected 2Q26 industrial production, we raise our 2Q26 GDP growth forecast slightly to 5.9% (1Q26: 5.4%) from 5.7%. Manufacturing growth have so far outperformed our initial expectations, supported by frontloading and stockpiling activity amid concerns over the Middle East conflict. Services also continue to expand, as domestic demand remain resilient. If this momentum holds through 2H26, full-year 2026 GDP growth could exceed our current 4.5%-5.0% (2025: 5.2%) forecast range.

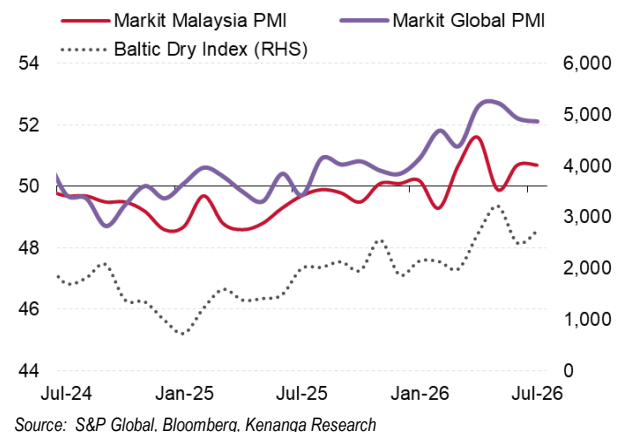
Graph 1: Industrial Production Growth Trend



Graph 2: Manufacturing Growth Trend by Sub-Sector



Graph 3: Manufacturing PMI Trend



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Table 1: Malaysia Industrial Production Trend (2015=100)

	Weight		2023	2024	2025	Jun-25	Jan-26	Feb-26	Mar-26	Apr-26	May-26	Jun-26
IPI	100.0	% YoY	0.7	3.9	3.4	2.7	5.9	3.1	3.1	8.2	8.5	6.5
		% YoY SA	0.7	3.9	3.4	2.6	6.0	3.1	3.1	8.3	8.5	6.5
		% MoM				7.5	0.6	-9.2	9.3	-3.4	1.4	5.5
		3mma				1.8	4.9	4.6	4.0	4.8	6.5	7.7
Manufacturing	68.3	% YoY	0.7	4.3	4.5	3.6	7.3	4.2	5.5	8.3	6.6	7.3
		% MoM				6.9	0.3	-8.1	8.4	-4.4	2.1	7.6
		3mma				3.9	6.3	6.1	5.7	6.0	6.7	7.4
Domestic-Oriented		% YoY	4.9	5.1	3.8	5.1	6.4	2.7	2.8	8.0	2.0	6.4
		% MoM				-3.1	2.4	-8.1	1.4	5.3	-4.6	1.2
Export-Oriented		% YoY	-1.1	4.0	4.9	2.9	7.8	5.0	6.7	8.5	8.8	7.6
		% MoM				11.9	-0.7	-8.1	11.9	-8.7	5.7	10.7
Mining	25.1	% YoY	0.2	0.9	0.4	-0.2	0.1	-2.0	-6.5	6.8	19.8	3.1
		% MoM				15.8	2.1	-14.3	12.3	-1.6	-2.2	-0.3
Electricity	6.6	% YoY	2.0	6.8	-0.6	0.1	6.2	4.6	4.8	10.5	4.8	6.7
		% MoM				-4.6	0.1	-8.0	12.0	2.1	1.8	-2.9

Source: Dept. of Statistics, Kenanga Research, 3mma = 3-month moving average (YoY growth)

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