

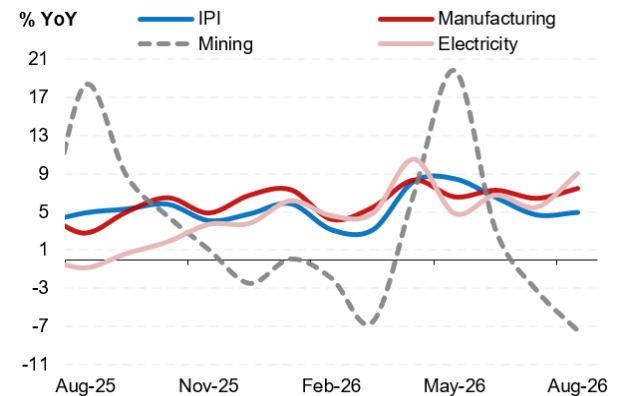
12 October 2026

Malaysia Industrial Production (Aug-26)

E&E lifts output to 5.0%, supporting 3Q26 GDP growth

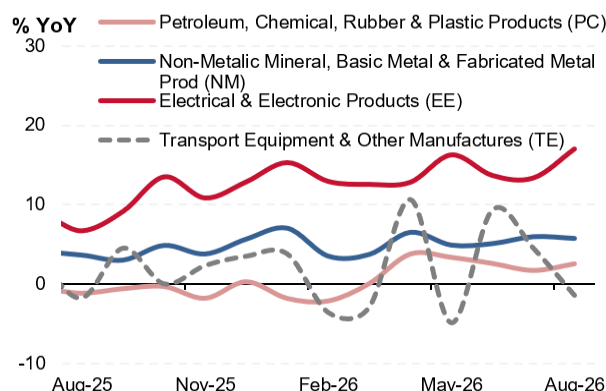
- Industrial Production Index (IPI) growth accelerated to 5.0% YoY in August (Jul: 4.7%), beating our estimate (KIBB: 4.0%) and marginally above consensus (4.9%)**
 - MoM growth rebounded 2.6% (Jul: -2.0%), above the 10-year average growth of 1.1%. Manufacturing led recovery, signalling firm industrial momentum heading into the final month of 3Q26.
- Manufacturing** accelerated to a four-month high of 7.4% YoY (Jul: 6.4%), driven by E&E products (17.0%; Jul: 13.3%), which hit a four-year high
 - Export-oriented** (9.1%; Jul: 6.7%): Surged to a four-year high on stronger output of computer, electronics & optical products (18.8%; Jul: 14.0%) and higher coke & refined petroleum products (5.4%; Jul: 1.1%).
 - Domestic-oriented** (3.9%; Jul: 5.8%): Slowed to a three-month low, as motor vehicles, trailers & semi-trailers fell sharply (-5.3%; Jul: 4.2%).
 - MoM (3.4%; Jul: -2.0%): Rebounded sharply to a two-month high, above the 10-year average growth of 1.8%, reflecting a strong recovery during the month and support positive annual reading.
- Mining** fell sharply by 7.4% (Jul: -3.2%), the weakest in 15 months
 - Weighed by weaker output in crude petroleum (-12.2%; Jul: -13.1%) and natural gas (-4.3%; Jul: 3.6%).
 - MoM (-0.3%; Jul: -4.1%): Contracted for a fifth straight month, pointing to persistent production weakness. However, the decline was smaller than July's and the 10-year average contraction of -1.7%, suggesting the pace of deterioration has eased.
- Electricity** growth rose sharply to a four-month high 9.0% (Jul: 5.5%), consistent with expanding commercial activity, continued household consumption and weather conditions
 - MoM (1.2%; Jul: 4.3%): Slowed sharply but stayed above the 10-year average of 0.9%, suggesting continued expansion following July's strong growth.
- We raise our 2026 manufacturing IPI growth forecast to 6.1% (2025: 4.5%) from 5.0% on sustained E&E strength, but stay cautious on 4Q26**
 - Outlook:** Manufacturing IPI grew 6.6% in Jan-Aug 2026 (Jan-Jul: 6.5%). August's acceleration in both annual and monthly growth points to sustained production strength, supporting our forecast upgrade. Robust export-oriented activity should underpin near-term growth. However, softer domestic-oriented production and fading favourable base effect warrant caution in 4Q26.
 - GDP Forecast:** Strong July-August manufacturing activity supports our view of resilient 3Q26 GDP growth (KIBB: 5.1%). E&E production keep driving manufacturing growth, though persistent mining weakness may cap the upside. We maintain our 2026 GDP growth forecast at 5.3% (2025: 5.2%) for now, reflecting our cautiously optimistic outlook on 2H26 growth.

Graph 1: Industrial Production Growth Trend



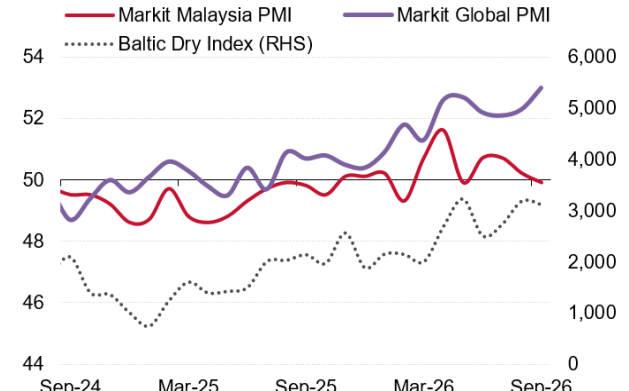
Source: Dept. of Statistics, Kenanga Research

Graph 2: Manufacturing Growth Trend by Sub-Sector



Source: Dept. of Statistics, Kenanga Research

Graph 3: Manufacturing PMI Trend



Source: S&P Global, Bloomberg, Kenanga Research

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

	Weight		2023	2024	2025	Aug-25	Mar-26	Apr-26	May-26	Jun-26	Jul-26	Aug-26
IPI	100.0	% YoY	0.7	3.9	3.4	4.9	3.1	8.2	8.5	6.5	4.7	5.0
		% YoY SA	0.7	3.9	3.4	4.7	3.1	8.3	8.5	6.5	4.5	4.9
		% MoM				2.4	9.3	-3.4	1.4	5.5	-2.0	2.6
		3mma				3.8	4.0	4.8	6.5	7.7	6.5	5.4
Manufacturing	68.3	% YoY	0.7	4.3	4.5	2.8	5.5	8.3	6.6	7.3	6.4	7.4
		% MoM				2.4	8.4	-4.4	2.1	7.6	-2.0	3.4
		3mma				3.6	5.7	6.0	6.7	7.4	6.7	7.0
Domestic-Oriented		% YoY	4.9	5.1	3.8	3.8	2.8	8.0	2.0	6.4	5.8	3.9
		% MoM				4.9	1.4	5.3	-4.6	1.2	0.4	3.0
Export-Oriented		% YoY	-1.1	4.0	4.9	2.3	6.7	8.5	8.8	7.6	6.7	9.1
		% MoM				1.2	11.9	-8.7	5.7	10.7	-3.1	3.5
Mining	25.1	% YoY	0.2	0.9	0.4	18.3	-6.5	6.8	19.8	3.1	-3.2	-7.4
		% MoM				4.2	12.3	-1.6	-2.2	-0.3	-4.1	-0.3
Electricity	6.6	% YoY	2.0	6.8	-0.6	-0.9	4.8	10.5	4.8	6.7	5.5	9.0
		% MoM				-2.1	12.0	2.1	1.8	-2.9	4.3	1.2

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

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