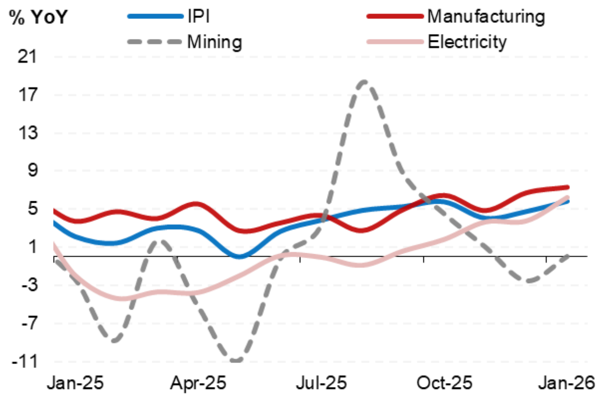
Malaysia Industrial Production

Output surprises in January as strong E&E momentum supports 2026 outlook

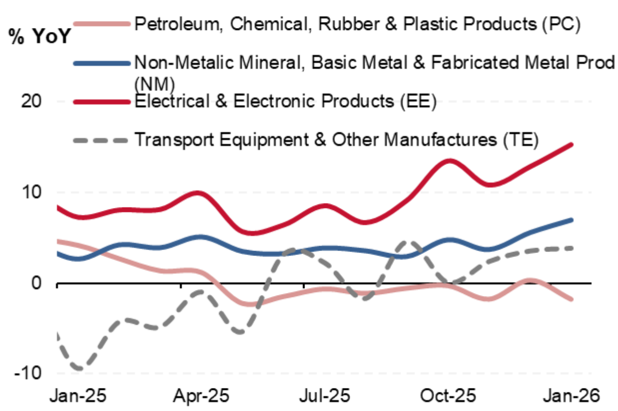
- **Industrial Production Index (IPI) accelerated to 5.9% YoY (Dec: 4.8%), beating expectations (KIBB: 4.9%; Bloomberg consensus: 5.0%)**
  - The upside surprise was driven mainly by stronger-than-expected manufacturing output, underpinned by sustained double-digit growth in the E&E segment (15.3%) for the fourth straight month.
  - MoM (0.7%; Dec: 0.2%): Expanded well above the long-term average of 0.2%, signalling strong momentum during the month.
- **Manufacturing index** surged to 7.3% YoY (Dec: 6.7%), an 18-month high, lifted by robust Electrical & Electronic (E&E) (15.3%; Dec: 12.8%) performance, the strongest in 40 months.
  - **Domestic-oriented** (6.4%; Dec: 5.2%): Accelerated to a 17-month high, driven by higher output in beverages (11.4%; Dec: 8.1%), reproduction of recorded media (10.5%; Dec: 5.2%) and manufacture of food processing products (8.9%; Dec: 8.5%) and fabricated metal products (8.5%; Dec: 7.3%).
  - **Export-oriented** (7.8%; Dec: 7.5%): Expanded to an 18-month high, driven by solid growth in computer, electronics & optical products (17.2%; Dec: 13.2%) and vegetable & animal oils & fats (20.7%; Dec: 18.1%).
  - MoM (0.3%; Dec: 0.2%): Expanded slightly and outperformed the long-term MoM average of 0.1%.
- **Mining index** rebounded marginally by 0.1% (Dec: -2.5%) after a sharp contraction in December
  - Growth was supported by an easing decline in natural gas output (-2.1%; Dec: -7.9%), though partly offset by softer crude petroleum output (3.8%; Dec: 6.4%).
  - MoM (2.1%; Dec: -0.9%): Rebounded sharply, reversing two straight months of decline and surpassing typical seasonal growth.
- **Electricity index** expanded sharply to 6.3% (Dec: 3.8%), marking a 17-month high
  - MoM (0.2%; Dec: 2.2%): Moderated to a two-month low but remained above long term seasonal patterns.
- **2026 Manufacturing IPI forecast retained at 3.5% (2025: 4.5%) amid cautious global backdrop**
  - **Outlook:** Seasonal festive-related closures and the recent escalation of US-Iran conflicts may limit manufacturing momentum in the near term. However, we expect the E&E sector to remain resilient, supported by robust global demand for AI, 5G/6G, EVs and data centre expansion. Growth may ease in 2H26 due to a high base, moderation in the tech cycle, geopolitical risks and potential supply disruptions that could raise cost pressures for manufacturers. Notably, latest Malaysia's Manufacturing PMI slipped back into contraction in February at 49.3 (Jan: 50.2), an eight-month low, highlighting continued fragility in the sector.
  - **GDP Forecast: We maintain our 2026 GDP growth forecast at 4.5% for now, consistent with a cautiously optimistic outlook amid global uncertainties and elevated geopolitical risks brought by the US-Iran war which could temper sentiment.** Nonetheless, we see upside risks that growth could reach 5.0% as Malaysia has historically benefited from higher crude oil and LNG prices given its status as a net energy exporter. Additional support if the global tech cycle driven by AI remains intact and domestic investment upcycle continues.

Graph 1: Industrial Production Growth Trend



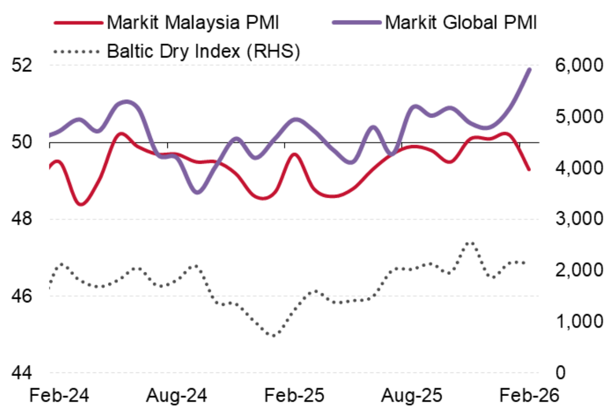
Source: Dept. of Statistics, Kenanga Research

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

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

	Weight		2023	2024	2025	Jan-25	Aug-25	Sep-25	Oct-25	Nov-25	Dec-25	Jan-26
IPI	***100.0***	**% YoY**	**0.7**	**3.9**	**3.4**	**2.2**	**4.9**	**5.3**	**5.8**	**4.1**	**4.8**	**5.9**
		% YoY SA	**0.7**	**3.9**	**3.4**	**2.2**	**4.7**	**5.3**	**5.9**	**4.2**	**5.0**	**6.0**
		% MoM				-0.4	2.4	0.0	2.1	-1.1	0.2	0.7
		3mma				3.5	3.8	4.7	5.3	5.1	4.9	4.9
Manufacturing	***68.3***	**% YoY**	**0.7**	**4.3**	**4.5**	**3.7**	**2.8**	**5.0**	**6.5**	**4.9**	**6.7**	**7.3**
		% MoM				2.4	1.0	0.2	-0.5	0.2	0.3	1.0
		3mma				3.6	4.0	4.7	5.4	6.0	6.3	4.0
Domestic-Oriented		**% YoY**	**4.9**	**5.1**	**3.8**	**0.2**	**3.8**	**5.3**	**4.9**	**4.6**	**5.2**	**6.4**
		% MoM				1.3	4.9	1.5	-1.2	2.3	1.0	2.4
Export-Oriented		**% YoY**	**-1.1**	**4.0**	**4.9**	**5.6**	**2.3**	**4.8**	**7.2**	**5.0**	**7.5**	**7.8**
		% MoM				-0.9	1.2	0.8	0.9	-1.8	-0.1	-0.7
Mining	***25.1***	**% YoY**	**0.2**	**0.9**	**0.4**	**-2.3**	**18.3**	**8.7**	**4.5**	**1.1**	**-2.5**	**0.1**
		% MoM				-2.9	4.2	-2.9	10.1	-3.1	-0.9	2.1
Electricity	***6.6***	**% YoY**	**2.0**	**6.8**	**-0.6**	**-1.9**	**-0.9**	**0.6**	**1.9**	**3.7**	**3.8**	**6.3**
		% MoM				-4.4	-2.1	-4.4	4.5	-3.0	2.2	0.2

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

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