

Malaysia Manufacturing PMI (Feb 26)

Dips on festive drag as exports anchor 2026 growth despite geopolitical risks

- Malaysia's Manufacturing Purchasing Managers' Index (PMI) slipped to 49.3 in February (Jan: 50.2), retreating after hitting a 20-month high previously**

- The weaker reading reflected sharp easing in hiring, slower output and new orders, and softer business sentiment.

- Weak demand pulled production down to a four-month low**

- Factory orders moderated as panellists pointed to sluggish market conditions.
 - New export orders rose for a second straight month, though at a slower pace.
 - Stock of purchase fell for the eight straight month, dragging finished goods inventories to a three-month low.

- Price pressures stayed relatively manageable**

- Input prices rebounded modestly after declining in the previous month, mainly due to higher raw material costs.
 - However, output prices fell for the first time in four months as firms offered discounts to revive sales.

- Optimism moderated as employment eased sharply**

- Confidence in future output softened, although firms remained hopeful for better demand conditions.
 - Employment levels dropped notably as firms scaled back hiring, some firms reported hiring freezes, workforce reductions, and staff resignations.

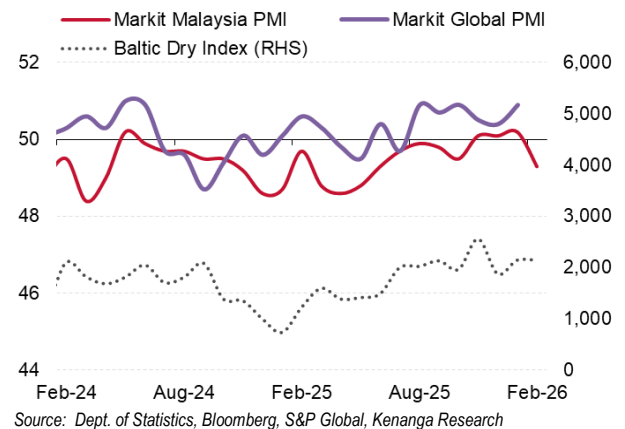
- Manufacturing activity in Asia continued to expand in February**

- Taiwan (55.2; Jan: 51.7): Accelerated to the highest level since December 2021, driven by sharp increases in output and new orders, while business confidence rose to a 21-month high.
 - Japan (53.0; Jan: 51.5): Rose sharply to a 45-month high, signalling stronger recovery supported by higher output, rising new orders, and improving employment.

- Outlook: Seasonal slowdown expected to reverse as firm E&E-driven exports support overall recovery**

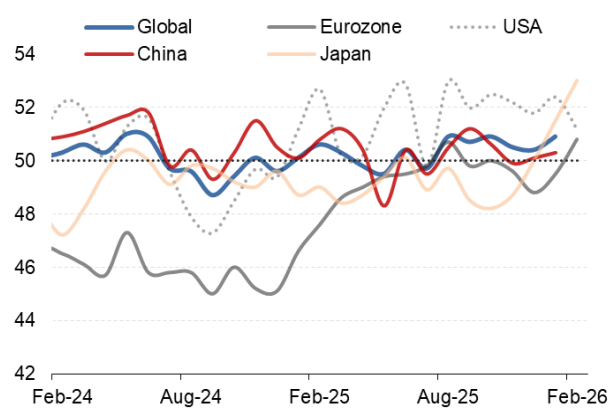
- Manufacturing outlook:** The recent dip likely reflects temporary festive-season effects, as firms scaled back operations during Chinese New Year holidays, rather than a shift in demand. Importantly, manufacturers continue to report expanding export orders, pointing to a resilient external demand. Domestic-oriented sectors are also expected to strengthen gradually, supported by steady household spending, ongoing fiscal measures, and tourism uplift tied to Visit Malaysia 2026.
 - GDP growth forecast:** We maintain our 2026 GDP forecast at 4.5%, reflecting a cautiously optimistic stance amid heightened geopolitical risks following the latest US-Israeli attack on Iran. While this may disrupt global trade flows, particularly in commodity-linked sectors, we expect the overall impact on Malaysia to be limited. In fact, Malaysia stands to benefit from higher global crude oil prices, while key export segments, especially E&E remained resilient due to ongoing global demand for AI, 5G/6G, EVs and the growth of data centres.

Graph 1: Global & Malaysia Manufacturing PMI



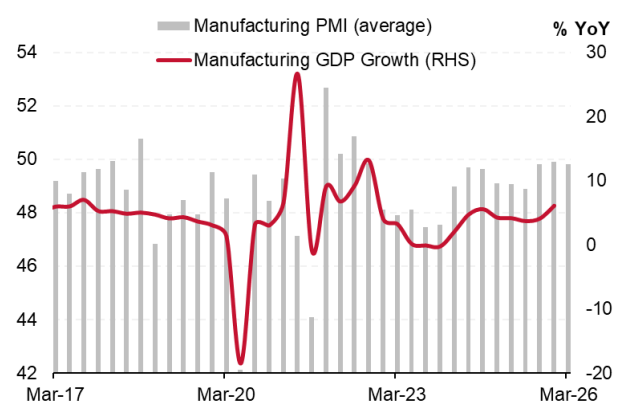
Source: Dept. of Statistics, Bloomberg, S&P Global, Kenanga Research

Graph 2: Global PMI Trend



Source: Bloomberg, S&P Global, Macrobond, Kenanga Research

Graph 3: Manufacturing PMI vs Manufacturing GDP



Source: S&P Global, Macrobond, Kenanga Research

02 March 2026

Table 2: Malaysia PMI Trend

	2023	2024	2025	Aug-25	Sep-25	Oct-25	Nov-25	Dec-25	Jan-26	Feb-26
S&P Malaysia PMI	47.9	48.6	50.1	49.9	49.8	49.5	50.1	50.1	50.2	49.3
New Orders*				Up	Up	Down	Up	Down	Up	Down
Output*				Up	Down	Down	Down	Down	Up	Down
Employment*				Down	Down	Down	Up	Up	Down	Down
Stocks of Purchases*				Down	Flat	Down	Up	Down	Down	Down
S&P Global PMI	49.0	49.6	50.4	50.9	50.7	50.9	50.5	50.4	50.9	N/A
Baltic Dry Index	2,094	997	1,877	2,025	2,134	1,966	2,560	1,877	2,148	2,140
DoS Leading Index (% YoY)	-0.9	3.2	0.5	-0.3	0.8	3.4	0.4	0.1	N/A	N/A

Source: PMI by S&P Global, Bloomberg, Dept. of Statistics, Kenanga Research

*The "Up/Down/Flat" movements for sub-indicators are based on S&P Global own reports. Detailed and historical data are available on a subscription basis only.

For further information, please contact:

Wan Suhaimie Wan Mohd Saidie
Head of Economic Research
wansuhaimi@kenanga.com.my

Muhammad Saifuddin Sapuan
Economist
saifuddin.sapuan@kenanga.com.my

Afiq Asyraf Syazwan Abd. Rahim
Economist
afiqasyraf@kenanga.com.my

Nurul Hanees Hairulkama
Economist
nurulhanees@kenanga.com.my

This document has been prepared for general circulation based on information obtained from sources believed to be reliable but we do not make any representations as to its accuracy or completeness. Any recommendation contained in this document does not have regard to the specific investment objectives, financial situation and the particular needs of any specific person who may read this document. This document is for the information of addressees only and is not to be taken in substitution for the exercise of judgement by addressees. Kenanga Investment Bank Berhad accepts no liability whatsoever for any direct or consequential loss arising from any use of this document or any solicitations of an offer to buy or sell any securities. Kenanga Investment Bank Berhad and its associates, their directors, and/or employees may have positions in, and may affect transactions in securities mentioned herein from time to time in the open market or otherwise, and may receive brokerage fees or act as principal or agent in dealings with respect to these companies. Kenanga Investment Bank Berhad being a full-service investment bank offers investment banking products and services and acts as issuer and liquidity provider with respect to a security that may also fall under its research coverage.

Published by:

KENANGA INVESTMENT BANK BERHAD (15678-H)

Level 17, Kenanga Tower, 237, Jalan Tun Razak, 50400 Kuala Lumpur, Malaysia
Telephone: (603) 2172 0880 Website: www.kenanga.com.my E-mail: research@kenanga.com.my