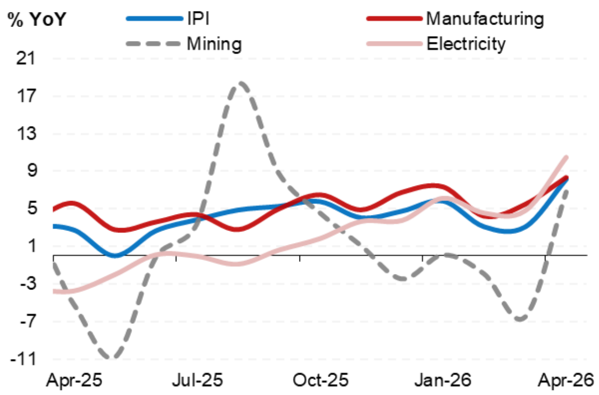
15 June 2026

Malaysia Industrial Production (Apr-26)

Industrial growth accelerates on inventory build-up, but questions remain over sustainability

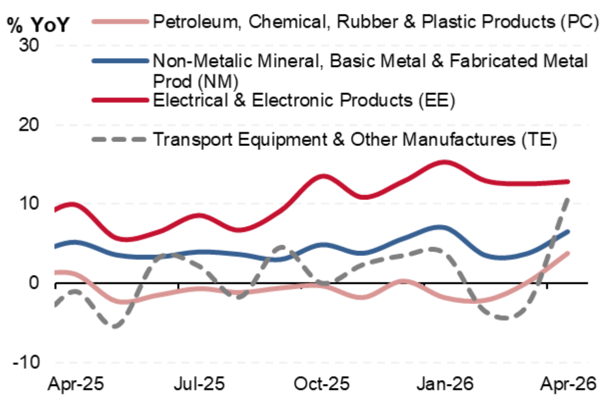
- **Industrial Production Index (IPI) growth jumped to 8.2% YoY in April (Mar: 3.1%), beating expectations (KIBB: 3.2%; consensus: 4.5%)**
  - MoM (-3.4%; Mar: 9.3%): Returning to negative territory after a sharp March rebound. However, the decline was smaller than the long run average contraction of -8.1%, suggesting only mild weakness.
- **Manufacturing index** strengthened to 8.3% YoY (Mar: 5.5%), boosted by a recovery in transport equipment & other manufacturers (10.7%; Mar: -2.9%) and continued strength in E&E (12.8%; Mar: 12.5%)
  - **Export-oriented** (8.5%; Mar: 6.7%): Expanded at a faster pace, driven by a rebound in plastic products (3.7%; Mar: -2.1%) and petroleum, chemical products, rubber & plastic products (4.5%; Mar: -2.8%). Key segments remained firm, including computer, electronics & optical products (14.6%; Mar: 14.8%), and coke & refined petroleum products (4.2%; Mar: 2.4%).
  - **Domestic-oriented** (8.0%; Mar: 2.8%): Also accelerated, boosted by motor vehicles, trailers & semi-trailers (13.5%; Mar: -9.8%) and food processing products (8.6%; Mar: 7.2%). Notably, construction-related manufacturing also expanded, including other non-metallic mineral products (6.7%; Mar: 2.6%) and fabricated metal products, except machinery and equipment (5.8%; Mar: 4.0%).
  - MoM (-4.4%; Mar: 8.4%): Contracted after a 45-month high in March, but milder than long run average of -8.3%.
- **Mining index** rebounded strongly to a seven-month high (6.8%; Mar: -6.5%), after two consecutive months of contraction
  - Driven by strong natural gas (16.6%; Mar: -3.4%) output, which partially offset continued weakness in crude petroleum (-6.4%; Mar: -11.3%).
  - MoM (-1.6%; Mar: 12.3%): Contracted, reversing March's sharp rebound but less sharply than the long run average of -8.6%, suggesting an improvement in mining output despite concerns over Middle East-related supply disruption.
- **Electricity index** expanded sharply to 10.5% (Mar: 4.8%)
  - MoM (2.1%; Mar: 12.0%): However, output growth slowed sharply on a MoM basis but remained stronger than the typical contraction seen in April and the month's long run average decline of -3.8%.
- **2026 Manufacturing IPI forecast retained at 4.3% (2025: 4.5%) amid persistent risks**
  - **Outlook**: Year-to-date, manufacturing IPI grew 6.3% (Jan-Mar: 5.7%), indicating steady momentum. Growth remained supported by the technology upcycle and precautionary inventory accumulation as firms stockpiled inputs to mitigate supply risks linked to Middle East tensions. This inventory-driven support is likely to sustain activity in 2Q26, but momentum may soften in 2H26 if geopolitical tensions persist. Notably, the latest Manufacturing PMI eased to 49.9 (Apr: 51.6) after reaching a four-year high in April. However, the reading remains close to the neutral threshold, suggesting broadly stable manufacturing conditions rather than a sharp downturn.
  - **GDP Forecast**: Likewise, we maintain our 2026 GDP growth forecast at 4.5% (2025: 5.2%). Growth is expected to remain firm in 2Q26, supported by resilient domestic demand and the spillover effects from stronger manufacturing production. However, momentum is expected to slow in 2H26 if geopolitical tensions persist, resulting in elevated energy prices, prolonged supply disruptions, and less favourable base effects from 2H25.

Graph 1: Industrial Production Growth Trend



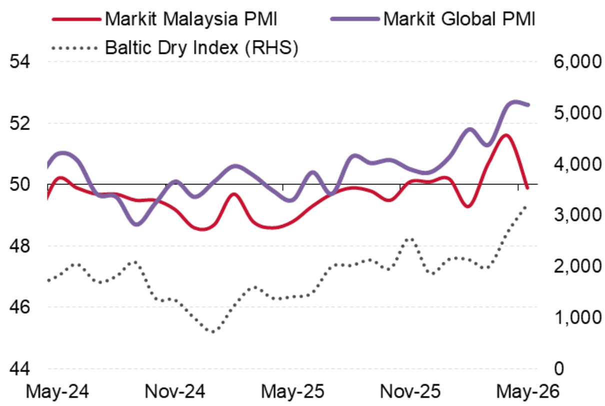
Source: Dept. of Statistics, Kenanga Research

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	Apr-25	Nov-25	Dec-25	Jan-26	Feb-26	Mar-26	Apr-26
IPI	***100.0***	**% YoY**	**0.7**	**3.9**	**3.4**	**2.8**	**4.1**	**4.8**	**5.9**	**3.1**	**3.1**	**8.2**
		% YoY SA	**0.7**	**3.9**	**3.4**	**3.1**	**4.2**	**5.0**	**6.0**	**3.1**	**3.1**	**8.3**
		% MoM				-8.0	-1.1	0.2	0.6	-9.2	9.3	-3.4
		3mma				2.4	5.1	4.9	4.9	4.6	4.0	4.8
Manufacturing	***68.3***	**% YoY**	**0.7**	**4.3**	**4.5**	**5.6**	**4.9**	**6.7**	**7.3**	**4.2**	**5.5**	**8.3**
		% MoM				-6.9	-0.5	0.2	0.3	-8.1	8.4	-4.4
		3mma				4.8	5.4	6.0	6.3	6.1	5.7	6.0
Domestic-Oriented		**% YoY**	**4.9**	**5.1**	**3.8**	**3.9**	**4.6**	**5.2**	**6.4**	**2.7**	**2.8**	**8.0**
		% MoM				0.3	2.3	1.0	2.4	-8.1	1.4	5.3
Export-Oriented		**% YoY**	**-1.1**	**4.0**	**4.9**	**6.4**	**5.0**	**7.5**	**7.8**	**5.0**	**6.7**	**8.5**
		% MoM				-10.2	-1.8	-0.1	-0.7	-8.1	11.9	-8.7
Mining	***25.1***	**% YoY**	**0.2**	**0.9**	**0.4**	**-5.2**	**1.1**	**-2.5**	**0.1**	**-2.0**	**-6.5**	**6.8**
		% MoM				-13.9	-3.1	-0.9	2.1	-14.3	12.3	-1.6
Electricity	***6.6***	**% YoY**	**2.0**	**6.8**	**-0.6**	**-3.7**	**3.7**	**3.8**	**6.2**	**4.6**	**4.8**	**10.5**
		% MoM				-3.2	-3.0	2.2	0.1	-8.0	12.0	2.1

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

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

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