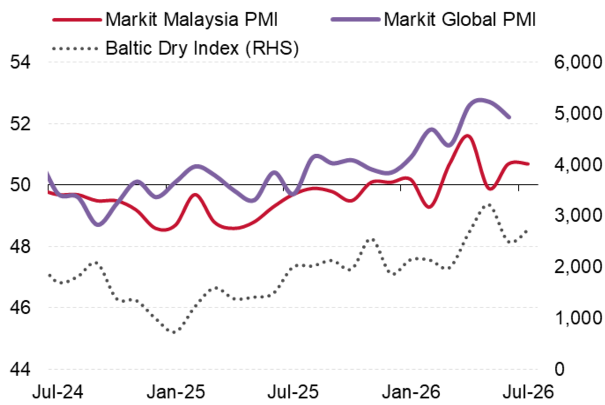
Malaysia Manufacturing PMI (Jul-26)

Factories hold the line as new orders strengthen, but confidence is fraying

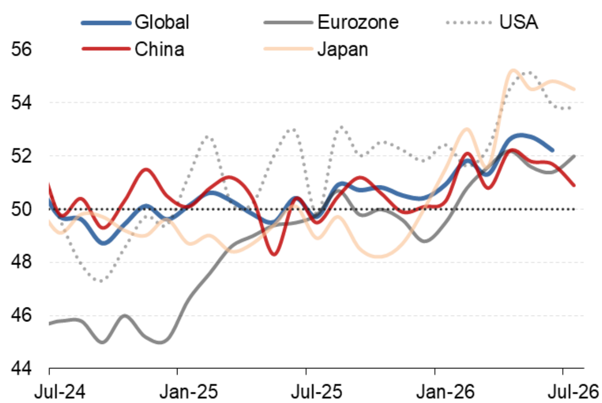
- **The Manufacturing Purchasing Managers' Index (PMI) held steady at 50.7 in July (Jun: 50.7)**
  - The reading shows manufacturing entered 2H26 on a stable footing, despite lingering geopolitical uncertainty and external headwinds.
- **Stronger demand continued to support new orders**
  - New orders increased at the fastest pace in eight months, backed by repeat business, stronger demand, new product launches and new tenders.
  - Output kept expanding, though the pace was largely unchanged from June, suggesting production has yet to fully catch up with stronger order inflows.
- **Purchasing activity improved modestly, while inventories remained stable**
  - Purchasing activity expanded modestly, indicating manufacturers remained cautious in scaling up production despite improving demand.
  - Stocks of purchases stayed broadly unchanged, reflecting prudent inventory management.
- **Cost pressures eased further**
  - Input cost inflation slowed to the weakest pace in five months, though firms continued to absorb part of higher fuel, transportation, freight and raw material costs.
  - Output charges also eased to a five-month low, suggesting firms continued to absorb part of the higher input costs rather than pass them fully to customers.
- **Business confidence weakened, while employment declined**
  - Employment fell on resignations, layoffs and workforce cuts aimed at reducing operating costs.
  - Business confidence eased to a three-month low and remained subdued, as concerns over market conditions and geopolitical tensions continued to weigh on sentiment.
- **Regional manufacturing conditions remained resilient**
  - Taiwan (55.1; Jun: 55.2): Eased slightly but remained firmly in expansion territory. New orders rose at the strongest pace in five years, while production continued to expand robustly.
  - Japan (54.5; Jun: 54.8): Remained strong, backed by the fastest increase in output since February 2014 and the strongest growth in new orders since January 2022, driven by robust semiconductor and AI-related demand.
- **Outlook: Manufacturing activity to remain in expansion, although momentum is expected to moderate**
  - **Manufacturing outlook**: The July PMI indicates manufacturing conditions should stay supportive in the near term, backed by resilient domestic demand and improving external orders. The sustained increase in new orders bodes well for production over the coming months. Still, weaker business confidence and declining employment suggest manufacturers remain cautious amid persistent geopolitical risks.
  - **GDP growth forecast:** The PMI reading above 50.0 points continues to signal expansion in manufacturing activity, supporting a positive contribution from the sector to 3Q26 GDP growth. Resilient new orders strengthen the case for an upward revision to our 3Q26 GDP growth forecast, which could push full-year 2026 GDP growth above 5.0%, from our current projection of 4.5%-5.0% (2025: 5.2%).

Graph 1: Global & Malaysia Manufacturing PMI



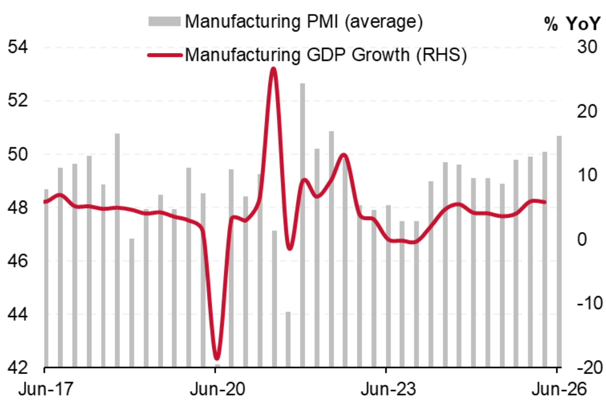
Source: Dept. of Statistics, Bloomberg, S&P Global, Kenanga Research

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

Table 2: Malaysia PMI Trend

	2023	2024	2025	Jan-26	Feb-26	Mar-26	Apr-26	May-26	Jun-26	Jul-26
S&P Malaysia PMI	47.9	48.6	50.1	50.2	49.3	50.7	51.6	49.9	50.7	50.7
New Orders*				Up	Down	Down	Up	Down	Up	Up
Output*				Up	Down	Up	Up	Down	Up	Up
Employment*				Down	Down	Up	Up	Down	Flat	Down
Stocks of Purchases*				Down	Down	Down	Up	Up	Flat	Flat
S&P Global PMI	49.0	49.6	50.4	50.9	51.8	51.3	52.6	52.7	52.2	N/A
Baltic Dry Index	2,094	997	1,877	2,148	2,140	1,995	2,686	3,224	2,501	2,732
DoS Leading Index (% YoY)	-0.9	3.2	0.5	0.9	0.9	0.9	1.3	0.8	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.*

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