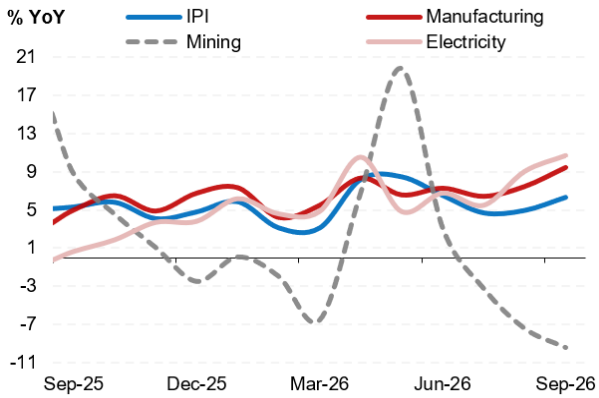
Malaysia Industrial Production (Sep-26)

E&E powers a beat, but mining's slide caps the upside

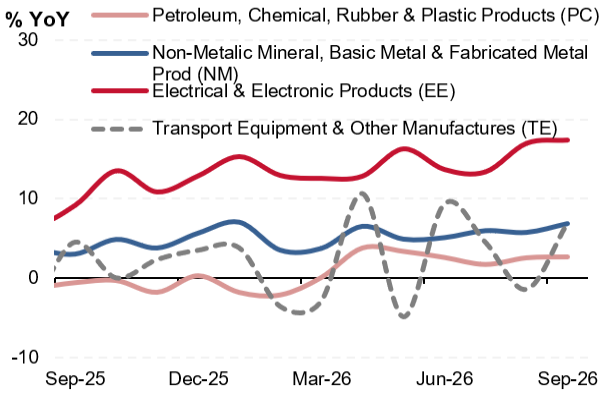
- **Industrial Production Index (IPI) growth jumped to 6.3% YoY in September (Aug: 5.0%), beating consensus of 5.8%. Still, IPI growth slowed to 5.3% in 3Q26 (2Q26: 7.7%) as mining swung into contraction**
  - MoM, IPI growth eased to 1.3% (Aug: 2.6%) but stayed above the month's 10-year average of 0.6%. Manufacturing led the gains, signalling resilient industrial momentum.
- **Manufacturing** output surged to 9.4% YoY (Aug: 7.4%), the strongest in four years, led by sustained E&E strength (17.3%; Aug: 16.9%), a 49-month high. In 3Q26, manufacturing grew 7.8% (2Q26: 7.4%), the fastest since 3Q22 (13.4%)
  - **Export-oriented** (10.7%; Aug: 9.1%): Hit a four-year high, led by computer, electronics & optical products (19.3%; Aug: 19.0%) and machinery & equipment N.E.C. (12.9%; Aug: 12.4%).
  - **Domestic-oriented** (6.6%; Aug: 3.9%): Rose to a five-month high, led by motor vehicles, trailers & semi-trailers (10.6%; Aug: -5.3%) and basic metals (10.2%; Aug: 9.9%).
  - MoM (2.9%; Aug: 3.4%): Growth eased but stayed well above the month's 10-year average of 1.5%, a sign that underlying momentum remains firm.
- **Mining** slumped 9.4% (Aug: -7.4%), the steepest drop in 16 months. In 3Q26, mining contracted 6.7% (2Q26: +9.4%)
  - Weighed down by weaker output in crude petroleum (-11.8%; Aug: -12.2%) and natural gas (-7.9%; Aug: -4.3%).
  - MoM (-5.0%; Aug: -0.3%): Contracted for a sixth straight month and by more than the month's 10-year average of -0.8%, pointing to persistent production weakness.
- **Electricity** output rose sharply to 10.7% (Aug: 9.0%), the fastest in 31 months, on resilient commercial and household demand and supportive weather. In 3Q26, electricity grew 8.3% (2Q26: 7.3%)
  - MoM (-2.9%; Aug: 1.2%): Output fell, but by less than the month's 10-year average of -4.2%, suggesting only a modest pullback.
- **We raise our 2026 Manufacturing IPI growth forecast to 7.0% (2025: 4.5%), from 6.1%, on sustained strength in E&E and export-oriented sectors**
  - **Outlook**: Manufacturing IPI grew 7.0% in Jan-Sep 2026 (Jan-Aug: 6.6%) on robust E&E output, with little sign of the 2H26 slowdown we had expected. September's strength pushed year-to-date growth further above our earlier forecast path. Malaysia's Manufacturing PMI also returned to expansion in October, albeit marginally, at 51.0 (Sep: 49.9). This suggests conditions stayed favourable heading into 4Q26.
  - **GDP Forecast**: Slower 3Q26 industrial production growth and a likely softer services sector amid the recent haze support our 3Q26 GDP estimate of 5.1%, below DOSM's Advance Estimate of 5.3%. Still, E&E output continues to drive manufacturing momentum. We maintain our 2026 GDP growth forecast at 5.3% (2025: 5.2%), reflecting a cautiously optimistic view of 4Q26.

Graph 1: Industrial Production Growth Trend



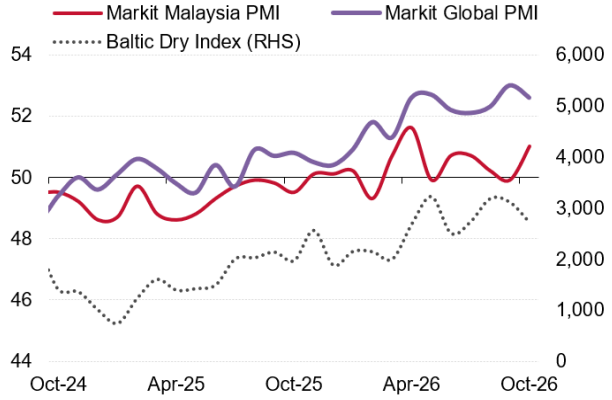
Source: Dept. of Statistics, Kenanga Research

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	Sep-25	Apr-26	May-26	Jun-26	Jul-26	Aug-26	Sep-26
IPI	***100.0***	**% YoY**	**0.7**	**3.9**	**3.4**	**5.3**	**8.2**	**8.5**	**6.5**	**4.7**	**5.0**	**6.3**
		% YoY SA	**0.7**	**3.9**	**3.4**	**5.3**	**8.3**	**8.5**	**6.5**	**4.5**	**4.9**	**6.3**
		% MoM				-0.02	-3.4	1.4	5.5	-2.0	2.6	1.3
		3mma				4.7	4.8	6.5	7.7	6.5	5.4	5.3
Manufacturing	***68.3***	**% YoY**	**0.7**	**4.3**	**4.5**	**5.0**	**8.3**	**6.6**	**7.3**	**6.4**	**7.4**	**9.4**
		% MoM				1.0	-4.4	2.1	7.6	-2.0	3.4	2.9
		3mma				*4.0*	6.0	6.7	7.4	6.7	7.0	7.8
Domestic-Oriented		**% YoY**	**4.9**	**5.1**	**3.8**	**5.3**	**8.0**	**2.0**	**6.4**	**5.8**	**3.9**	**6.6**
		% MoM				1.5	5.3	-4.6	1.2	0.4	3.0	4.1
Export-Oriented		**% YoY**	**-1.1**	**4.0**	**4.9**	**4.8**	**8.5**	**8.8**	**7.6**	**6.7**	**9.1**	**10.7**
		% MoM				0.8	-8.7	5.7	10.7	-3.1	3.5	2.3
Mining	***25.1***	**% YoY**	**0.2**	**0.9**	**0.4**	**8.7**	**6.8**	**19.8**	**3.1**	**-3.2**	**-7.4**	**-9.4**
		% MoM				-2.9	-1.6	-2.2	-0.3	-4.1	-0.3	-5.0
Electricity	***6.6***	**% YoY**	**2.0**	**6.8**	**-0.6**	**0.6**	**10.5**	**4.8**	**6.7**	**5.5**	**9.0**	**10.7**
		% MoM				-4.4	2.1	1.8	-2.9	4.3	1.2	-2.9

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

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