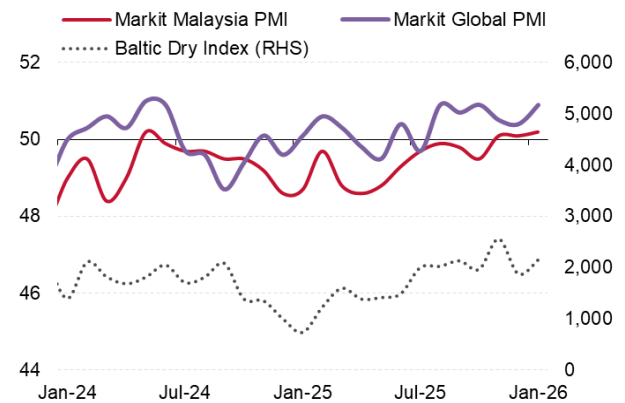


Malaysia Manufacturing PMI

Edges up for the third month in January on rising output and demand

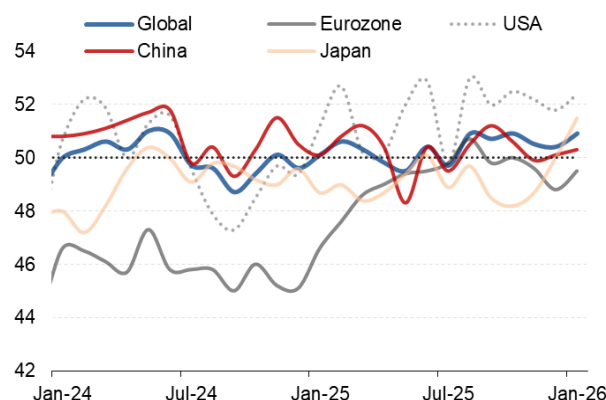
- The Manufacturing Purchasing Managers' Index (PMI) inched up to 50.2 in January (Dec: 50.1), marking a third straight month of expansion**
 - The improvement was supported by increased production on the back of rising orders and stronger business confidence, although hiring remained subdued.
- Output rose modestly, registering the strongest expansion since July 2022**
 - Factory orders stabilised, signalling improve operating conditions at the start of the year.
 - New export orders increased for the first time in five months, reaching its strongest level since July 2024.
 - Purchasing activity rose modestly, reaching a 45-month high, in line with rising production and reflecting stronger expectations for future demand.
- Price pressures remained relatively contained**
 - Input prices decrease for the first time in 68 months, driven by the stronger Ringgit, which reduced the cost of imported materials.
 - However, output prices continued to rise but remained modest and below historical averages.
- Optimism strengthened, though employment eased**
 - Confidence in future output improved, supported by expectations of new contracts and signs of firmer demand.
 - However, employment levels slipped slightly, with job cuts described as minimal.
- Asia's manufacturing activity continued to strengthen in January**
 - Taiwan (51.7; Dec: 50.9): Expanded to a 13-month high, marking the second straight month of expansion, led by stronger production, new orders and purchasing activity.
 - South Korea (51.2; Dec: 50.1): Rose sharply to its highest level since August 2024 and above its long-run average of 50.2, supported by stronger output, new orders and business sentiment.
- Outlook: E&E resilience helps stabilise domestic manufacturing despite US tariff uncertainty**
 - Manufacturing outlook:** The latest PMI readings point to broadly steady operating conditions despite earlier concerns over the impact of higher US tariffs. This resilience reflects robust demand for E&E products, which remained exempted from tariffs measures. Domestic-oriented industries also continue to benefit from firm household spending, ongoing fiscal support and steady momentum from the Visit Malaysia 2026 campaign.
 - GDP growth forecast:** January's strong PMI signals a solid start for the manufacturing sector in 2026, with momentum likely to remain firm ahead of the festive period particularly Chinese New Year in February and Eid al-Fitr in March. Continued demand in the E&E sector, supported by global adoption of AI, 5G, EVs and the growth of data centres, are expected to provide further lift. This suggests manufacturing growth could outperform our current 1Q26 forecast and offer upside to GDP. For now, we maintain our 2026 GDP forecast at 4.5%, compared with an anticipated 4.9% for 2025, as external headwinds persist in spite of emerging upside risks led by tech upcycle.

Graph 1: Global & Malaysia Manufacturing PMI



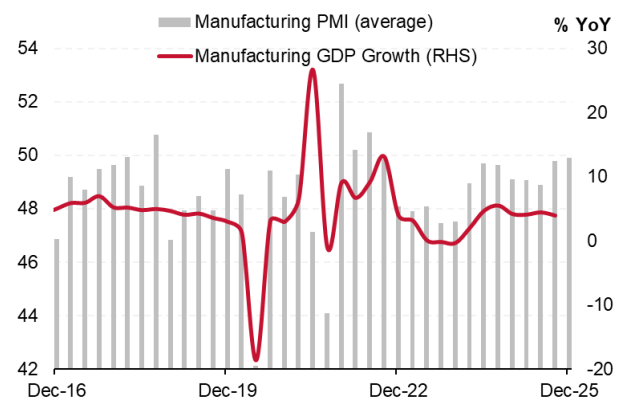
Source: Dept. of Statistics, Bloomberg, S&P Global, Kenanga Research

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

03 February 2026

Table 2: Malaysia PMI Trend

	2023	2024	2025	Jul-25	Aug-25	Sep-25	Oct-25	Nov-25	Dec-25	Jan-26
S&P Malaysia PMI	47.9	48.6	50.1	49.7	49.9	49.8	49.5	50.1	50.1	50.2
New Orders*				Down	Up	Up	Down	Up	Down	Up
Output*				Down	Up	Down	Down	Down	Down	Up
Employment*				Down	Down	Down	Down	Up	Up	Down
Stocks of Purchases*				Up	Down	Flat	Down	Up	Down	Down
S&P Global PMI	49.0	49.6	50.4	49.7	50.9	50.7	50.9	50.5	50.4	50.9
Baltic Dry Index	2,094	997	1,877	2,003	2,025	2,134	1,966	2,560	1,877	2,148
DoS Leading Index (% YoY)	-0.9	3.2	N/A	-0.3	-0.3	0.8	3.4	0.2	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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