Malaysia's industrial output growth slows in February

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KUCHING: Malaysia's Industrial Production Index (IPI) growth moderated to 3.1 per cent year-on-year in February 2026, down from 5.9 per cent in January, reflecting weaker performance across key sectors.

According to Kenanga Investment Bank Bhd (Kenanga Research), the latest data fell short of expectations with the slowdown attributed to broad-based moderation in manufacturing mining and electricity output.

On a month-on-month basis, industrial output declined 9.2 per cent largely due to festive-related disruptions and earlier front-loading of production.

"Manufacturing output expanded 4.2 per cent year-on-year, easing from 7.3 per cent in January and marking the slowest pace in six months.

"The moderation was led by declines in transport equipment and other manufactures, as well as petroleum, chemical, rubber and plastic products, alongside weaker textiles production," it added.

The electrical and electronics (E&E) segment continued to record double-digit growth of 12.9 per cent, although this was lower than the 15.2 per cent registered previously.

Domestic-oriented industries grew 2.7 per cent, slowing from 6.4 per cent in January, weighed by declines in motor vehicle production, paper products and printing-related activities.

Export-oriented industries expanded 5.0 per cent, moderating from 7.8 per cent, due to slower growth in vegetable oils and a contraction in textile output.

On a monthly basis, manufacturing output contracted 8.1 per cent, indicating a sharp pullback during the period.

"The mining sector recorded a 2.0 per cent contraction, reversing the marginal growth seen in January, amid declines in crude petroleum and natural gas production," according to the research house.

Mining output fell 14.3 per cent month-on-month, underscoring continued volatility in the sector.

Electricity generation rose 4.6 per cent year-on-year, slowing from 6.2 per cent previously, while declining 8.0 per cent on a monthly basis.

Despite the weaker February performance indicators point to a potential recovery with the manufacturing Purchasing Managers' Index rising to 50.7 signalling expansion.

Kenanga Research maintained its 2026 manufacturing IPI growth forecast at 3.5 per cent, with a possible upward revision to 4.0 per cent if E&E momentum remains intact.

Overall, the research house also projected Malaysia's GDP growth at 4.5 per cent for 2026, supported by domestic demand and continued strength in selected export segments, although external risks remain.