

# S&P Global Malaysia Manufacturing PMI<sup>®</sup>

## Employment scaled back at joint-strongest pace on record

### February 2026

Solid easing in staffing numbers

Renewed slowdowns in output and new orders

Business sentiment wanes on the month

The Malaysian manufacturing sector registered a slowdown midway through the first quarter of 2026, a shift from the improvement recorded at the start of the year.

Underpinning moderation within the sector were renewed slowdowns in new orders and output. The impact on purchasing activity was limited, with firms raising their input buying but at a slower pace. However, a joint-record easing in staffing numbers was one of the key takeaways from the latest survey. The only other time when payroll numbers have been scaled back to such an extent was during August 2020.

Turning to prices, following the first decrease in input costs for 68 months during January, operating expenses rose modestly in February. However, a challenging demand environment meant that firms chose to marginally lower their selling prices.

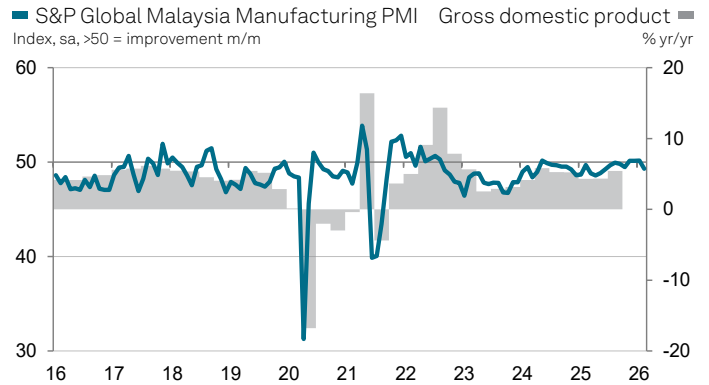
The seasonally adjusted S&P Global Malaysia Manufacturing Purchasing Managers' Index<sup>™</sup> (PMI<sup>®</sup>) fell below the neutral mark of 50.0 in February. Posting 49.3, down from a 20-month high of 50.2 in January, the latest reading signalled a moderation in health of the sector for the first time in four months. Although slight, the pace of the slowdown was the most marked since June 2025. Overall, the latest reading signals an annual GDP growth of just under 5%, according to historical comparisons.

The moderation in business conditions reflected a renewed slowing in new orders which followed a stable picture in the month prior. The drop in total new sales came despite new export orders growing for a second straight month, albeit the pace of increase here softening on the month. According to panellists, the moderation in total new order book volumes stemmed from sluggish market conditions.

Fewer new orders was frequently cited by respondents as a key reason for a fresh slowdown in production. The rate of moderation in output was modest but the most marked in four months.

The weakness in output and new orders meant that while firms decided to raise their purchasing activity again in February, the pace of growth softened on the month and was marginal overall.

Where inputs were purchased, firms continued to report longer delivery times. In fact, the latest lengthening of average lead times was the most marked in 15 months. Port and container congestion, customs delays and increased supplier workloads were some of the reasons linked to the latest deterioration in vendor performance.



Data were collected 4-23 February 2026.  
Sources: S&P Global PMI, Department of Statistics Malaysia via S&P Global Market Intelligence. ©2026 S&P Global.

### Comment

Maryam Baluch, Economist at S&P Global Market Intelligence, said:

"The Malaysian manufacturing sector reported a challenging month, as companies reported weakness in output and new orders. This in turn led to a solid drop in employment which was the joint-strongest in the series history. Though firms remain optimistic, confidence levels also took a slight step back in February.

"While cost burdens rose, manufacturers highlighted the importance of reviving demand and chose to offer discounts to customers. While the decrease in output prices was only marginal, this could aid companies in securing new business in the coming months."

Stocks of purchases and finished goods were also lowered in February, thereby stretching the current run of decreases to eight and three months respectively.

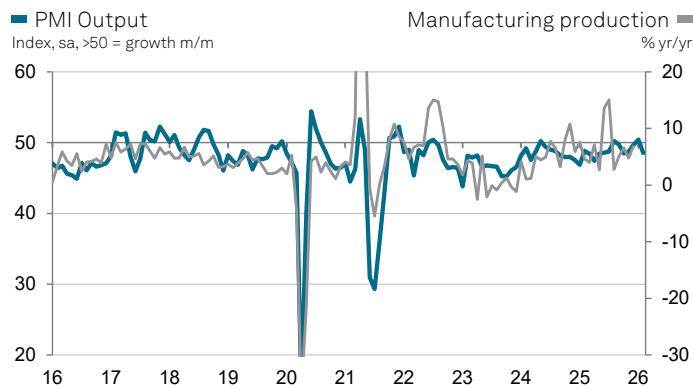
The employment picture softened during the latest survey period. The pace at which jobs were scaled back was in fact the joint-strongest in the series history, in line with the rate observed in August 2020. According to anecdotal evidence, some firms put hiring decisions on hold, while others actively made reductions to workforce numbers. Some panellists also reported resignations.

After four consecutive months of reduction, backlogs of work recorded a fresh rise across Malaysian manufacturers in February. Though signalling only a fractional upturn, the respective seasonally adjusted index posted above the neutral 50.0 mark for the first time in 19 months.

Following a fall in January, operating expenses rose modestly in February. Panellists commonly linked the latest rise in prices to increased costs for raw materials.

However, challenging demand conditions led firms to offer discounts on their products as part of efforts to revive sales. As a result, output prices fell for the first time in four months in February. The pace of inflation was slight overall, however.

Lastly, production forecasts across Malaysian manufacturers remained optimistic, with firms hopeful that improved demand conditions will feed through to output growth. Though historically elevated, the level of confidence moderated from January.



Sources: S&P Global PMI, Department of Statistics Malaysia via S&P Global Market Intelligence. ©2026 S&P Global.

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## Methodology

The S&P Global Malaysia Manufacturing PMI® is compiled by S&P Global from responses to questionnaires sent to purchasing managers in a panel of around 400 manufacturers. The panel is stratified by detailed sector and company workforce size, based on contributions to GDP. Data collection began in July 2012.

Survey responses are collected in the second half of each month and indicate the direction of change compared to the previous month. A diffusion index is calculated for each survey variable. The index is the sum of the percentage of 'higher' responses and half the percentage of 'unchanged' responses. The indices vary between 0 and 100, with a reading above 50 indicating an overall increase compared to the previous month, and below 50 an overall decrease. The indices are then seasonally adjusted.

The headline figure is the Purchasing Managers' Index™ (PMI). The PMI is a weighted average of the following five indices: New Orders (30%), Output (25%), Employment (20%), Suppliers' Delivery Times (15%) and Stocks of Purchases (10%). For the PMI calculation the Suppliers' Delivery Times Index is inverted so that it moves in a comparable direction to the other indices.

Underlying survey data are not revised after publication, but seasonal adjustment factors may be revised from time to time as appropriate which will affect the seasonally adjusted data series.

For further information on the PMI survey methodology, please contact [economics@spglobal.com](mailto:economics@spglobal.com).

## PMI by S&P Global

Purchasing Managers' Index™ (PMI®) surveys are now available for over 40 countries and also for key regions including the eurozone. They are the most closely watched business surveys in the world, favoured by central banks, financial markets and business decision makers for their ability to provide up-to-date, accurate and often unique monthly indicators of economic trends. [www.spglobal.com/marketintelligence/en/mi/products/pmi](http://www.spglobal.com/marketintelligence/en/mi/products/pmi)

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## Using PMI to estimate growth

PMI data are available faster than official GDP figures and at a higher frequency, providing an accurate advance guide to economic growth. Comparing the headline Malaysia Manufacturing PMI with annual GDP growth rates shows a correlation of 60%, with the PMI acting as a coincident indicator of economic growth. Using the average of PMI Output Index for each calendar quarter lifts this correlation to 74%.

With this correlation as the basis of PMI-implied GDP growth rates, we can build a simple OLS regression model where the annual rate of change in GDP is explained by a single variable: the headline Malaysia manufacturing PMI. The model therefore allows us to estimate GDP using the following formula:

$$\text{Annual \% change in GDP} = (\text{PMI} \times 0.287) - 8.99$$

Using this formula, a headline PMI reading of 31.4 is comparable to a zero annual growth rate of GDP. Each index point above (below) is roughly the same as 0.3 percentage points of GDP growth (decline) such that:

$$\text{PMI} = 40, \text{GDP \%yr/yr} = 2.5; \text{PMI} = 50, \text{GDP \%yr/yr} = 5.3; \text{PMI} = 60, \text{GDP \%yr/yr} = 8.2$$

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