S&P Global Malaysia Manufacturing PMI®

Manufacturing output in Malaysia picks up and confidence strengthens

January 2026

Headline PMI rises to 20-month high

Input costs fall for first time since May 2020

Business confidence among highest in 12 years

Operating conditions across the Malaysian manufacturing sector showed further signs of improvement at the start of the year.

The latest improvement in the health of the sector was supported by a renewed rise in production, as well as a stabilisation in new factory orders. Confidence for the year ahead outlook also strengthened notably in the latest survey period. Higher production requirements encouraged firms to step up their purchasing activity. However, hiring activity took a slight step back, with January marking a fractional but renewed reduction.

Meanwhile, an appreciation of the ringgit contributed to a first reduction in input costs since May 2020 and output prices increased only modestly.

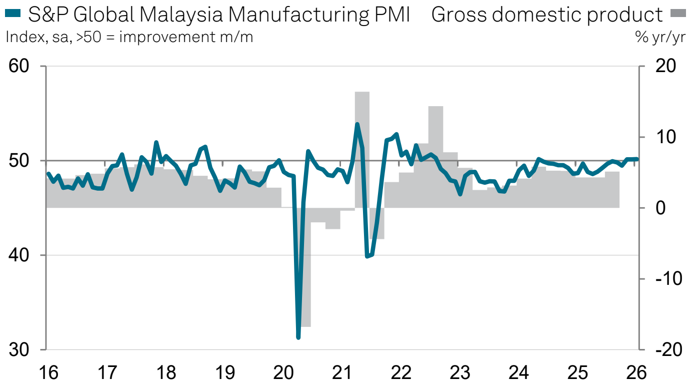
Remaining only slightly above the neutral mark of 50.0 in January, the seasonally adjusted S&P Global Malaysia Manufacturing Purchasing Managers' Index™ (PMI®) rose to 50.2, up from 50.1 in December, to signal a third consecutive monthly improvement in the health of the Malaysian manufacturing sector. Moreover, the reading was the joint-highest since August 2022, equal with that seen in May 2024.

Given the historical correlation between PMI movements and official data, the economy appears to have entered the new year with steady growth in GDP and a further year-on-year expansion in official manufacturing production.

The slight uptick in the headline index was supported by a renewed rise in manufacturing output in January. The respective seasonally adjusted index posted in growth territory for the first time in five months. While only modest, the pace of expansion was the strongest since July 2022.

Additionally, following a slight moderation in the month prior, demand conditions stabilised in January. According to anecdotal evidence, demand conditions remained subdued but had shown some signs of improvement at the start of the year. Meanwhile, new export orders increased for the first time in five months, and at the fastest rate since July 2024.

In line with a rise in production requirements, manufacturers raised their purchasing activity modestly in January. This marked a resumption of growth following a pause in the month prior. Along with that observed in September 2025, the latest upturn was the strongest in 45 months.



Data were collected 12-26 January 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 signalled strengthening business conditions for the third straight month in January. Production returned to growth, while demand conditions stabilised. The latter was supported by a renewed strengthening in demand from overseas. Moreover, companies reported a brighter outlook. Confidence was in fact among the highest in the series history.

"Another key element from the latest survey was a first fall in input costs since May 2020 as firms benefited from the effects of a stronger ringgit. A lack of inflationary pressures should hopefully help to support growth in the months ahead."

The uptick in purchasing activity partly helped soften the ongoing downturn in holdings of pre-production inventories. The rate of decrease eased further and was only marginal. Holdings of finished items were also depleted at a softer pace.

Following December's job creation which ranked among the fastest on record, firms across the Malaysian manufacturing sector reduced their staffing numbers in the latest survey period. The pace of job shedding was only minimal however.

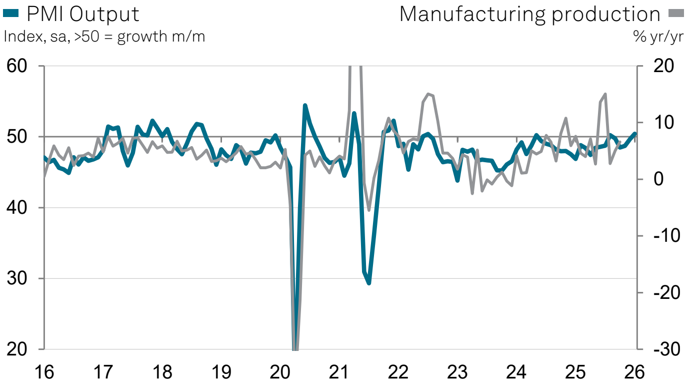
Manufacturers managed to keep on top of their workloads, as backlogs fell for a fourth straight month. That said, the pace of depletion was the weakest in the aforementioned sequence.

Malaysian manufacturers pointed to further pressure on the capacity of suppliers, as delivery times lengthened for a second straight month in January. While the incidence of delays was more pronounced than seen in the month prior, it was modest overall.

Turning to prices, the latest survey data revealed a decrease in input costs faced by manufacturing firms based in Malaysia, the first in 68 months. One of the reasons cited for lower costs was the appreciation of the Malaysian ringgit which helped to reduce the costs of imported items.

The rate of charge inflation, meanwhile, accelerated in January but remained modest and weaker than the series average. Output prices have now increased in the last three survey periods.

Lastly, business sentiment regarding output prospects rebounded noticeably during January. The anticipation of new contracts and signs of improved demand conditions largely underpinned positive sentiment. Moreover, the overall level of optimism was the second-highest since October 2013, only behind that seen in November 2025.



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.

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

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:

Annual % change in GDP = (PMI x 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:

PMI = 40, GDP %yr/yr = 2.5; PMI = 50, GDP%yr/yr = 5.3; PMI = 60, GDP %yr/yr = 8.2

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