News Release
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S&P Global Malaysia Manufacturing PMI®

Output sees fresh rise, but is accompanied by increasing prices

March 2026

Solid easing in staffing numbers

Renewed slowdowns in output and new orders

Business sentiment wanes on the month

Though operating conditions across Malaysia's manufacturing sector recorded a renewed improvement on the back of fresh upticks in production and employment, the latest data also highlighted sharply rising inflationary pressures.

Additionally, demand conditions remained subdued as evidenced by a second straight monthly reduction in new orders. Moreover, the war in the Middle East partially hindered firms' purchasing activity and led to lengthier delivery times for inputs, which subsequently affected their management of current inventories. Both stocks of pre-production items and finished goods were depleted during the latest survey period.

The seasonally adjusted S&P Global Malaysia Manufacturing Purchasing Managers' Index™ (PMI®) lifted into growth territory in March, coming in at 50.7 from 49.3 in February. Improvements in the health of Malaysia's manufacturing sector have now been noted in four of the last five survey periods, with the latest strengthening the most marked in nearly four years.

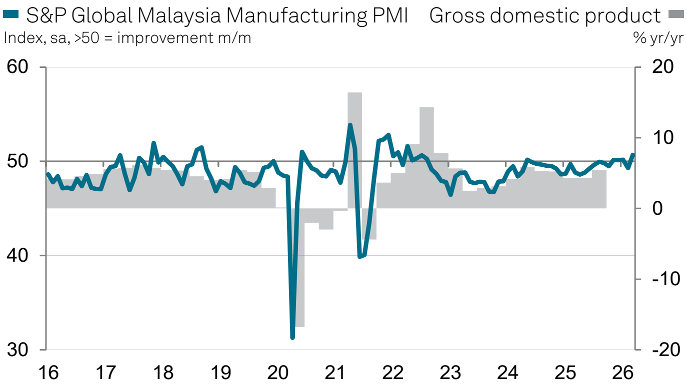
As per the historical relationship between the PMI and official GDP data, the latest figures suggest that GDP will grow around 5.5% year-on-year.

Central to the uptick in the headline index was a fresh rise in production in March. Output rose modestly, but at a pace which was the most pronounced since December 2021. The upturn was linked to improved demand conditions and new tender wins.

Goods-producing firms in Malaysia recorded a fractional rise in employment during March. The latest round of job creation followed two consecutive months of reductions. According to anecdotal evidence, companies added full-time staff to their payroll. Additionally, firms were able to reduce their backlogs in March, thereby reversing the slight build-up seen in the month prior.

Total new business moderated for a second consecutive month in March. However, the rate of decrease was broadly unchanged on the month and shallow overall. Concurrently, international demand for Malaysian goods softened for the first time in three months, albeit only slightly.

Nonetheless subdued demand conditions resulted in firms to lower their purchasing activity in March. The decrease was the first in nine months. Though the pace of contraction was moderate, it was the most pronounced for nearly a year. Limited shipment container availability and higher prices for raw materials and deliveries resulting from the war in the Middle East



Data were collected 8-25 March 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 latest PMI data revealed a fresh improvement in the health of Malaysia's manufacturing sector, driven by renewed growth in both output and employment. While this is welcome news following the mild moderation observed midway through the first quarter, the data also highlights several concerning developments, many of which stem from the ongoing war in the Middle East.

"Purchasing activity, delivery times, stock levels, and most importantly, price indicators are beginning to show how manufacturers are responding to the current situation. Confidence has already fallen to a seven-month low, suggesting that the coming months will bring these concerns further into focus."

PMI® by S&P Global

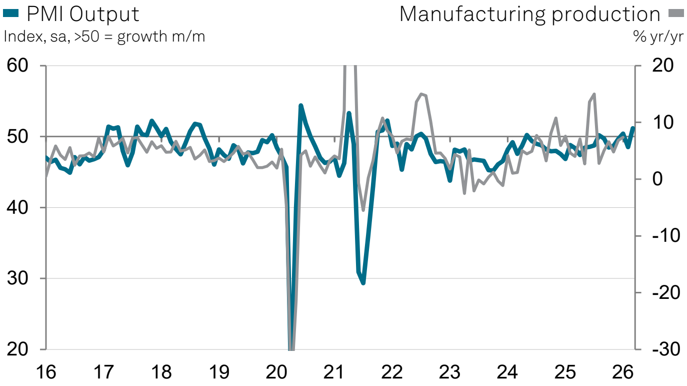
were also reasons cited.

March data revealed that pressures on supply chains intensified. The deterioration in vendor performance was sharp and the most marked since May 2022. Longer lead times was often attributed to the war in the Middle East.

Reduced buying activity and longer lead times for inputs resulted in firms turning to their holdings to meet production requirements. The downturn in pre-production inventories was the sharpest in 27 months. Moreover, holdings of finished items were reduced for a fourth straight month in March.

The second straight monthly increase in costs was strong in March. Moreover, the pace of inflation was the fastest since October 2024. Higher transportation, energy and material costs, often stemming from the war in the Middle East, were the primary factors behind the latest increase. Moreover, following a slight fall in February, March data revealed a sharp rise in charges for Malaysian goods. The pace of output price inflation hit a 45-month high and was stronger than the historical average, as firms sought to protect their margins.

Sentiment for the year-ahead outlook for output eased further to a seven-month low in March. While optimism was supported by hopes that the demand environment would improve, confidence was severely dampened by the ongoing war in the Middle East.



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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