ECONOMIC CROSSCURRENTS

IPP MY36 Thermometer with Asia Macro Lens

February 2026

prepared by IPPFA Sdn. Bhd.

Released: 2 March 2026

Executive Synthesis

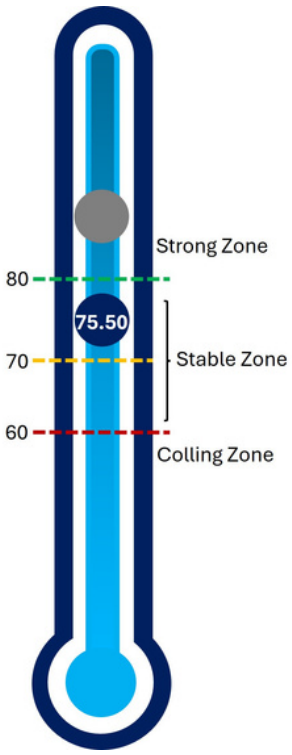
Malaysia's macro momentum is moderating from an elevated base, transitioning into a more balanced expansion phase supported by resilient domestic demand and easing cost pressures.
The IPP MY36 Economic Thermometer remains in expansionary territory, with February's moderation reflecting consolidation rather than a loss of traction. Growth continues to be anchored by stable labour market conditions, sustained household spending and improving cost visibility as energy, food and logistics prices normalise, while orderly financial conditions support planning and investment decisions.

Asia's external environment is less constraining, though policy-driven risks are more prominent.
FX volatility has moderated and supply-chain pressures have normalised, while US trade measures under Section 122 introduce selective trade and pricing risks.

Bottom line: *As 2026 unfolds, Malaysia's macro backdrop is increasingly execution-friendly, with intact domestic fundamentals and stabilising external conditions supporting gradual improvement in earnings and financial conditions, barring renewed global policy uncertainty.*

MET Snapshot: Macro Momentum Moderates from Elevated Base

Malaysia's macro momentum moderated in February, with the MY36 Thermometer easing to 75.50 after January's elevated reading. This moderation reflects a normalisation from a strong base rather than a loss of traction, indicating that earlier acceleration is being absorbed rather than reversed. The pullback was driven mainly by cooling in selected cyclical and external-facing indicators following a strong start to the year, while domestic fundamentals remained resilient. Firm labour market conditions, stable income growth and sustained consumption continue to anchor activity, ensuring that underlying momentum is driven by domestic demand rather than policy stimulus, financial excesses or speculative flows.



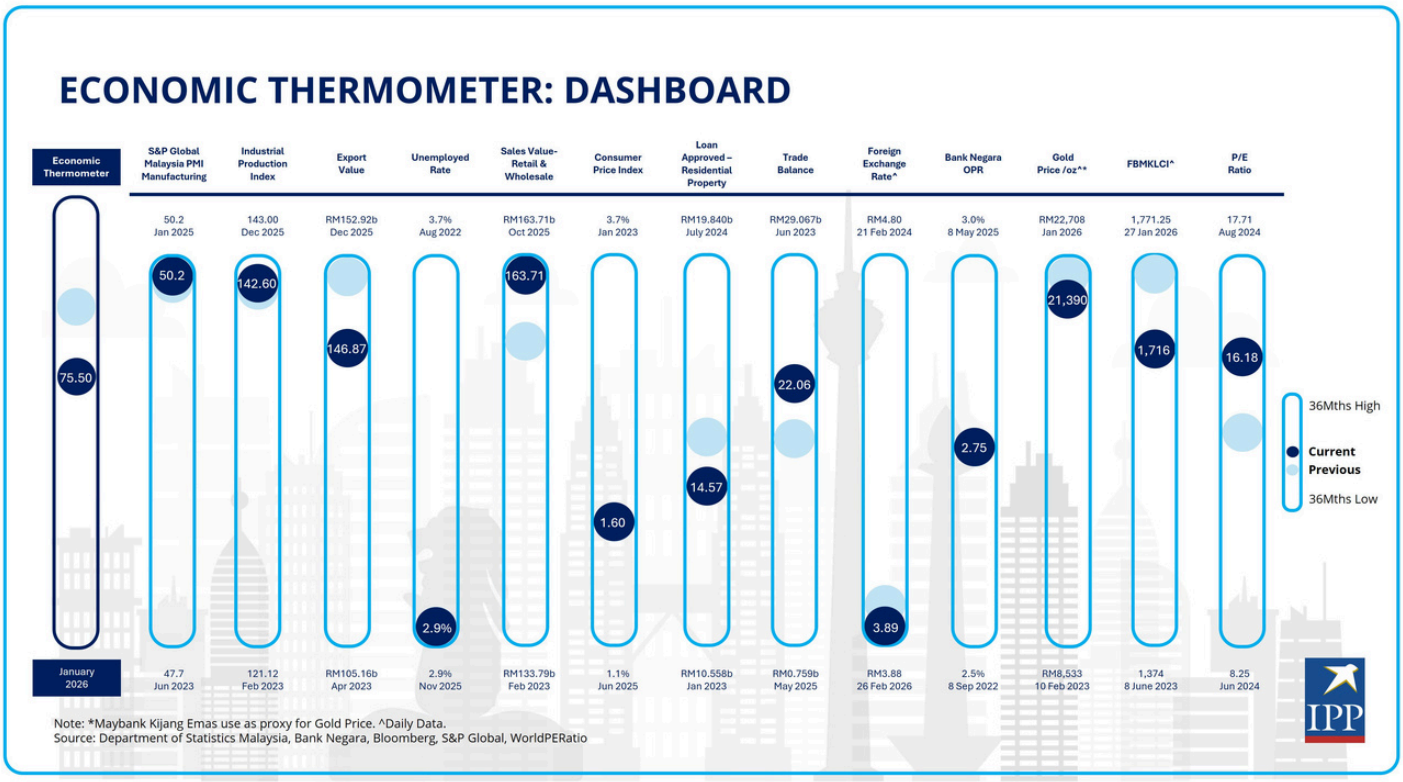
More importantly, the moderation marks an improvement in the quality and sustainability of macro momentum. By easing excess pace without weakening core fundamentals, the economy reduces overheating risks, narrows imbalances between demand and productive capacity, and lowers downside volatility. This rebalancing allows growth to be absorbed more evenly across sectors and improves resilience to external uncertainty, supporting a more durable, policy-consistent macro trajectory even as global conditions remain uneven.

Key Signals from the IPP MY36 Thermometer

The current MY36 assessment shows that underlying macro conditions are becoming more stable, with growth shaped by steadier demand rather than momentum swings or policy impulse. This shift points to a more predictable operating environment, improving planning visibility for businesses, particularly in areas such as budgeting, pricing decisions and workforce management.

This is reinforced by the increasing consistency of domestic demand. Stable employment conditions and sustained income growth suggest that consumption patterns are becoming more reliable, reducing dependence on short-term cyclical uplift. For businesses oriented towards the domestic market, performance is therefore more closely tied to execution quality, pricing discipline and customer retention than to broad macro tailwinds.

Six Indicators Supporting Sustained Momentum



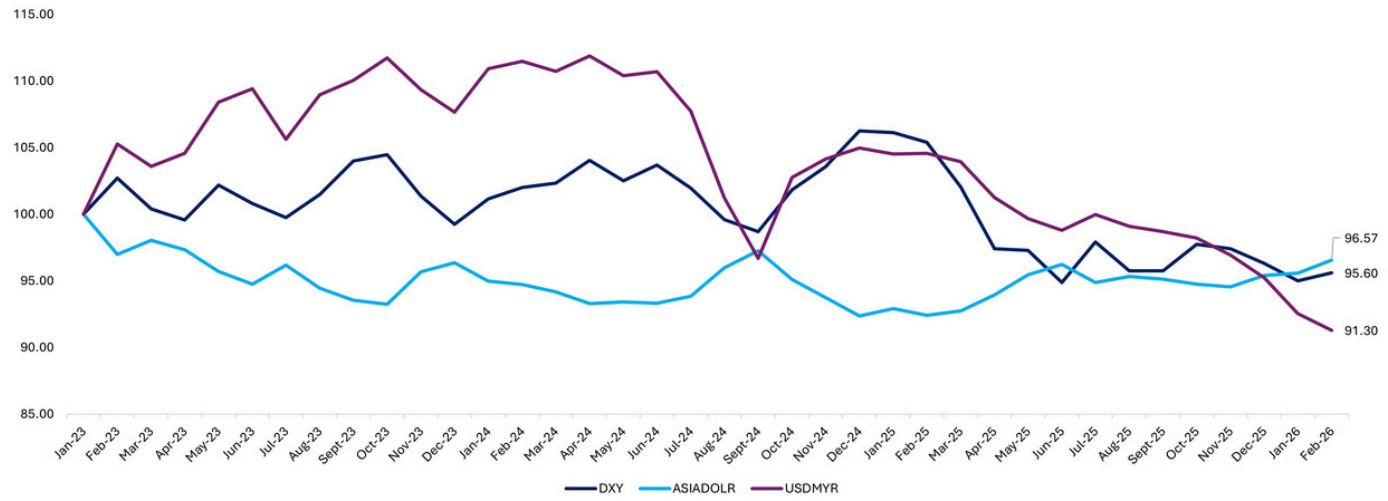
Financial conditions remain supportive but disciplined, favouring measured and well-targeted decisions. Stable interest rates and contained inflation reduce funding uncertainty, while orderly credit conditions allow balance-sheet optimisation, refinancing where appropriate and selective capital expenditure. Returns are increasingly driven by productivity gains, margin management and efficient capital deployment rather than leverage or aggressive expansion.

Against this backdrop, business owners should increasingly focus on execution rather than speed. This phase of the cycle rewards firms that strengthen core operations, maintain cost discipline and align investment decisions with clear demand visibility. Capital allocation should prioritise resilience, operational efficiency and pricing power, while expansion plans remain selective and risk-aware. Businesses that act early to embed these disciplines are better positioned to sustain performance and capture opportunities as macro conditions stabilise.

Asia - Macro & Financial Conditions

Malaysia's macro outlook remains closely linked to Asia's broader macro and financial conditions, particularly through currency movements, capital flows and policy spillovers. For business leaders, the key consideration is whether the recent period of regional financial stability reflects a more durable adjustment in Asia's macro environment, or whether it represents a temporary easing before volatility re-emerges, shaping the confidence with which planning and investment decisions can be made.

Asia and Global Currency Conditions (Rebased to Jan-2023 = 100)



source: Bloomberg, IPPFA Malaysia

Recent FX movements illustrate a clear decoupling between the US dollar, the Asia dollar bloc and USD/MYR over the past year, signalling a shift away from broad dollar dominance towards more differentiated regional currency dynamics. While the DXY has remained largely range-bound and the Asia dollar index broadly stable, USD/MYR has adjusted more decisively, reflecting domestic macro fundamentals and policy credibility rather than external dollar pressure. This suggests that regional currency behaviour is increasingly shaped by country-specific conditions rather than uniform global forces.

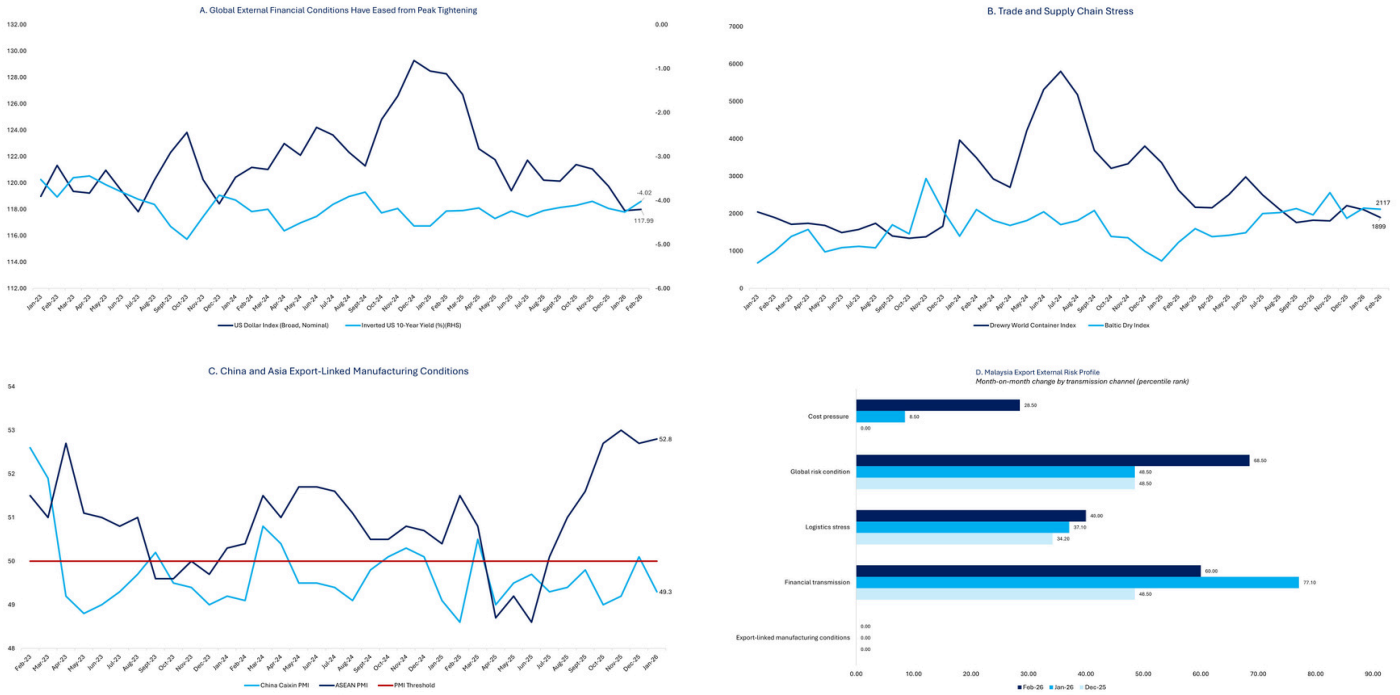
The reduced synchronisation across currencies points to a more orderly but uneven regional FX environment. For Asia, this implies that volatility risks are less likely to be driven by abrupt, system-wide dollar shocks and more by relative macro positioning, policy paths and capital flow dynamics across individual economies. As a result, periods of currency stability may persist even in the absence of a clear global trend, but divergence across markets is likely to widen as domestic fundamentals play a larger role.

For businesses operating across Asia, the implication is that FX risk management needs to be more granular and locally informed. Planning assumptions can no longer rely on broad regional currency moves, and hedging strategies should be calibrated to specific country exposures rather than regional averages. In this environment, firms that actively monitor domestic policy signals, balance-of-payments dynamics and relative growth trajectories are better positioned to manage currency risk and protect margins as regional financial conditions continue to normalise, allowing for longer and more confident planning horizons.

Asia - Transmission Channels

Asia's external financial conditions have continued to ease from the peak tightening phase. Moderation in US dollar strength and stabilisation in long-end US yields have reduced external funding stress, lowered currency volatility and improved financial visibility for corporates, indicating that global financial spillovers are no longer intensifying.

Asia's External Transmission Channels Continue to Normalise



note: Month-end data. US 10-year Treasury yield inverted so that higher values indicate easier external financial conditions. PMI data lagged for 1 month.
source: Federal Reserve, Bloomberg, WTO, IPPFA Malaysia

Trade and supply-chain pressures remain contained, with freight and shipping indicators well below prior-cycle peaks, confirming that logistics bottlenecks and imported cost pressures are no longer binding constraints. However, the recent announcement by former President Trump to shift a proposed 15% tariff framework from IEEPA to Section 122 introduces renewed policy uncertainty into the trade channel. While this move suggests a more structured approach than emergency measures, it raises the risk of selective tariff reactivation across Asia-linked supply chains.

Export-linked manufacturing conditions across China and the broader Asian region have stabilised, with PMIs generally holding close to or above the expansion threshold. Inventory adjustment pressures have eased, but the tariff re-framing under Section 122 implies that risks may increasingly stem from policy-driven uncertainty rather than cyclical weakness.

For Malaysia, the external transmission risk profile has improved further in February, even as some asymmetries emerge. Financial transmission stress has eased, while logistics conditions stay benign and global risk conditions have moderated. While export-linked risks may re-emerge selectively under renewed trade policy uncertainty, external transmission channels are less binding overall, allowing firms to prioritise execution and cost discipline while remaining alert to policy-driven trade risks. Overall, external transmission risks are shifting from cyclical stress towards policy-driven uncertainty. This environment supports longer planning horizons, even as trade policy risks warrant continued monitoring.

Trade and Price Transmission

Recent commodity indicators confirm a continued easing in externally driven cost pressures across Asia's trade-exposed sectors. Energy prices remain the dominant disinflationary force, with Brent and Dubai crude down 15.7% and 20.3% year-on-year respectively, alongside a 14.4% decline in Japan LNG prices and softer thermal coal costs. This broad-based moderation in energy inputs has materially reduced fuel, power and transport costs for manufacturers and logistics-intensive industries. Importantly, the persistence of lower energy prices over recent months suggests that cost relief is no longer transitory, reinforcing the shift away from the cost-shock dynamics that characterised the earlier phase of the cycle.

Cost Regime Snapshot

Recent commodity indicators show that externally driven cost pressures across Asia's trade-exposed sectors continue to ease. Energy prices remain the key disinflationary force, with broad declines in crude, LNG and thermal coal materially lowering fuel, power and transport costs. The persistence of softer energy prices suggests cost relief is becoming more durable, reinforcing the shift away from the cost-shock dynamics seen earlier in the cycle.

Key Commodity Price Reference Table

Commodity	12-month change (%)	Feb-25	Mar-25	Apr-25	May-25	Jun-25	Jul-25	Aug-25	Sept-25	Oct-25	Nov-25	Dec-25	Jan-26
Brent crude ($/bbl)	-15.71%	75.157	72.574	67.745	64.206	71.45	70.951	68.203	67.951	64.651	63.609	62.72	66.766
Dubai crude ($/bbl)	-20.25%	74.97	71.71	66.89	63.01	68.5	69.23	67.87	67.75	64.3	63.83	61.98	63.91
Australian thermal coal ($/mt)	-7.44%	106.93	103.97	98.61	104.41	109.03	112.9	112.15	106.32	107.5	112.6	107.67	109.78
Japan LNG ($mmbtu)	-14.42%	12.78178	12.54545	12.68	12.32197	12.16699	11.91404	11.79325	11.46802	11.1045	11.018111	11.060695	11.290844
Copper ($/mt)	44.72%	9330.6	9739.68	9176.8	9532.98	9835.07	9770.58	9669.56	9983.79	10739.91	10812.03	11785.25	13012
Iron ore, CFR China ($/dmtu)	5.98%	105.08	100.1	97.24	96.97	92.33	97.26	99.74	103.28	103.53	102.48	104.59	105.53
Palm oil Malaysia ($/mt)	-6.77%	1067.27	1067.6	994.37	907.58	935.3889	976.3849	1026.117	1036.74	1038.094	970.36208	980.51	997.82
Thai 5% rice ($/mt)	-14.64%	437	425	415	431	419	392	375	374	356	368	424.00	408
Urea ($/mt)	9.17%	436.5	394.5	386.88	392	420.5	496	507.7	461.13	394.4	409.25	392.5	415.4
Gold ($/troy oz)	75.40%	2894.73	2983.25	3217.64	3309.49	3352.66	3340.15	3368.03	3667.68	4058.33	4087.19	4309.23	4752.75

source: Pink Sheet Feb 2026, World Bank

Beyond energy, industrial commodity transmission into corporate cost structures has become more differentiated. Iron ore prices have risen modestly year-on-year, but remain broadly stable, suggesting that construction and heavy manufacturing input costs are not re-accelerating. In contrast, copper prices have surged sharply, reflecting structural demand linked to electrification, grid investment and energy-transition themes rather than cyclical supply-chain stress. This broad-based moderation in energy inputs has materially reduced fuel, power and transport costs across manufacturing and logistics-intensive sectors.

The food and soft-commodity complex is no longer an inflation amplifier. Palm oil and rice prices are lower on a year-on-year basis, while fertiliser costs have risen only modestly, limiting renewed pass-through into food production and consumer prices. Combined with stabilising energy and logistics costs, this shift marks a transition from cost shock to cost normalisation, improving pricing flexibility, working-capital planning and margin resilience for Malaysian manufacturers, exporters and consumer-facing firms as regional demand continues to normalise.

Trade, Costs and Margin Implications

Malaysia Exposure Matrix

Sector	External demand	Cost pressure	Margin outlook
Electronics and E&E	Stabilising to improving	Easing (energy, logistics)	Positive
Manufacturing and machinery	Stable to improving	Easing, selective metals risk	Improving
Consumer and retail	Resilient	Moderating (food, energy)	Neutral to positive
Energy and utilities	Stable	Softer fuel prices	Neutral
Construction and infrastructure	Improving	Mixed (lower energy, higher copper)	Neutral to positive
Plantations and agriculture	Stable	Input costs stabilising	Neutral

note: Assessments reflect the transmission of Asia trade growth, commodity prices, freight costs and currency conditions shown in Sections 2 and 3.
source: IPPFA Malaysia

The stabilisation in Asia's manufacturing trade and the normalisation in commodity and logistics costs point to an execution-supportive environment for Malaysia's export-oriented sectors. Electronics, machinery and intermediate goods producers are benefiting from easing energy and freight costs as external demand stabilises, improving margin visibility and allowing firms to prioritise operational efficiency and pricing discipline over balance-sheet defence.

For domestically oriented sectors, moderating food and input price pressures are supporting household purchasing power and reducing cost volatility. Combined with a more neutral external financial regime, this supports broader activity across consumer, construction and services segments, shifting the focus from margin protection towards disciplined volume recovery and execution.

Economist View

Malaysia is in a phase of constructive consolidation, with earlier gains being absorbed into steadier domestic activity. Stabilising regional trade and financial conditions, together with normalising energy, food and logistics costs, are improving visibility across consumption, employment and business activity while reducing margin and funding volatility. While policy-related trade risks warrant monitoring, the external backdrop has become more enabling than constraining, supporting a gradual strengthening in earnings and financial conditions through 2026.

Mohd Sedek Jantan
Country Economist, IPPFA Malaysia

What to watch

- **Asia FX and US Dollar direction**
- **China and regional manufacturing momentum**
- **Implementation and transmission of US Section 122 tariffs (15%), including sectoral and regional spillovers**
- **Energy and industrial metal price trends**

About IPPFA

IPPFA Malaysia (CMSL/A0321/2013) is a Capital Markets Services License holder regulated by the Securities Commission Malaysia, providing independent, research-anchored advisory and strategic wealth solutions for high-net-worth individuals, families, and business owners. IPPFA is part of the IPP Financial Services Group, founded in Singapore in 1983, with licensed advisory operations across Singapore, Malaysia, Hong Kong, and the United Kingdom.

The Group operates within a robust multi-jurisdictional regulatory framework, supported by a regional network of more than 700 advisers and professionals across Asia. IPPFA Global Wealth functions as the Group's strategic coordination function, integrating regional expertise, macroeconomic research, and structured advisory perspectives. This approach enables IPPFA to deliver disciplined, forward-looking insights as clients navigate evolving policy regimes, market volatility, and structural shifts in the global economy.

email: admin@ippgw.com
website: https://www.ippgw.com

Disclaimer

This publication has been prepared for general information and research purposes only and is intended to provide economic, policy and market commentary. It does not constitute personalised investment advice, investment research, a recommendation, or an offer or solicitation to buy or sell any financial product, security, or investment strategy. The views and opinions expressed reflect the authors' assessments at the time of publication and are subject to change without prior notice in response to evolving economic, market, policy or geopolitical conditions. Any forecasts, projections or forward-looking statements are provided for analytical and illustrative purposes only and should not be relied upon as guarantees of future outcomes.

This publication is produced for informational use within Malaysia and has been prepared with reference to applicable Malaysian laws and regulatory requirements, including the Capital Markets and Services Act 2007 (CMSA), where relevant. It is not intended for distribution to, or reliance by, any person or entity in jurisdictions where such distribution would be contrary to local laws or regulations. While the information contained herein is derived from sources believed to be reliable, no representation or warranty, express or implied, is made as to its accuracy, completeness or timeliness. Economic data, statistics and third-party information may be subject to revision. Supporting information may be made available upon request.

This publication does not take into account the specific investment objectives, financial circumstances or risk profiles of individual readers. Economic and market commentary should not be interpreted as a substitute for professional advice. Readers should exercise independent judgement and, where appropriate, seek advice from licensed professionals before making any financial or investment decisions. All investments involve risk, including the possible loss of capital. Market conditions are inherently volatile, and outcomes may vary materially due to changes in macroeconomic conditions, monetary and fiscal policy, financial markets, or political developments. Past trends or historical performance are not reliable indicators of future results.

This publication is issued by IPPFA Sdn. Bhd. in collaboration with the KSI Strategic Institute for Asia Pacific, as part of their ongoing efforts to promote informed economic discourse and policy understanding. It is not intended as an invitation or solicitation for regulated financial products or services, unless expressly stated otherwise and permitted under applicable regulatory frameworks.

Economic Club of Kuala Lumpur (ECKL)
% KSI Strategic Institute for Asia Pacific (KSI),
A-08-01, Plaza Mont Kiara,
2 Jalan Kiara, Mont Kiara,
50480 Kuala Lumpur, Malaysia