ECONOMIC CROSSCURRENTS

IPP MY36 Thermometer with Asia Macro Lens

April 2026

prepared by IPPFA Sdn. Bhd.

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Executive Synthesis

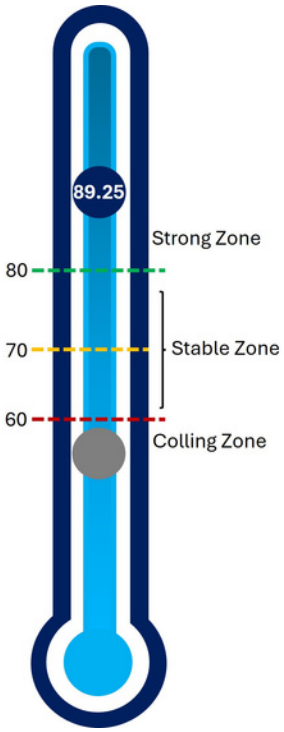
Malaysia is entering an externally-driven cooling phase, with financial markets repricing risk ahead of lagged macro adjustment. *The IPP MY36 Thermometer has declined to its lowest level since tracking began, reflecting weaker external demand, tighter global financial conditions and re-emerging cost pressures at the margin. The adjustment is being led by forward-looking indicators, while domestic fundamentals remain intact, resulting in a more uneven and externally dependent growth profile.*

Asia's macro-financial environment is turning less supportive, as USD strength, geopolitical tensions and policy uncertainty reshape financial and trade dynamics. *While supply chains remain operationally stable, risks are increasingly driven by liquidity conditions and policy developments, raising sensitivity to capital flows, currency movements and cross-border demand.*

Bottom line: *Markets are front-running a slowdown that is not yet fully reflected in macro data. As 2026 progresses, the environment is shifting from expansion towards margin defence, with risks skewed towards softer external demand and rising cost pressures.*

MET Snapshot: Rebound Reflects Base Effect Amid Stabilising Conditions

Malaysia's macro momentum has rebounded in April, with the MY36 Thermometer rising sharply to 89.25 from March's trough of 52.75, signalling a partial recovery following the earlier period of risk repricing. The improvement reflects stabilising financial conditions, with equities recovering, the ringgit strengthening and USD pressures moderating as defensive positioning unwinds. However, the rebound is partly driven by base effects following March's dislocation rather than a broad-based strengthening in fundamentals, suggesting a reversal of liquidity-driven stress rather than a clear recovery in demand. As such, the adjustment is better characterised as normalisation in risk pricing rather than a confirmed improvement in underlying activity.



The real economy remains mixed, with external indicators improving alongside moderation in domestic activity. Exports have rebounded and manufacturing has stabilised, while industrial production and credit expansion have softened, indicating uneven momentum. This divergence suggests that transmission from financial stabilisation into real activity remains incomplete, with growth becoming more differentiated and increasingly driven by sector-specific conditions rather than broad cyclical expansion.

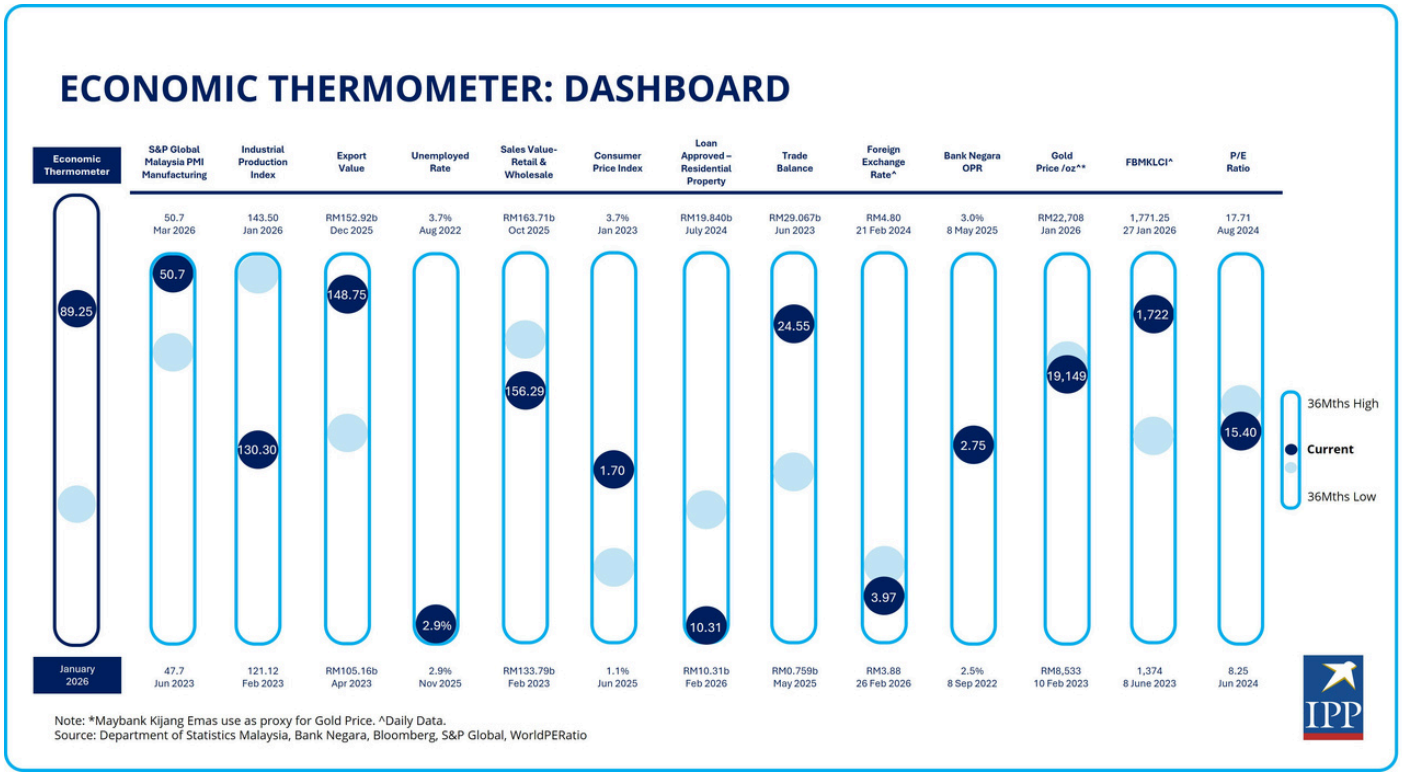
All data as at 1 May 2026, 8:00 am Malaysia time, unless otherwise stated

Key Signals from the IPP MY36 Thermometer

The current MY36 assessment indicates a more uneven operating environment, with macro conditions increasingly shaped by divergence across key indicators rather than a synchronised recovery. The April rebound reflects stabilisation in financial conditions and selective improvement in external activity, but domestic momentum remains moderated. As a result, growth is becoming more differentiated and increasingly dependent on how external trade, production, credit and financial conditions evolve.

External conditions have improved, with exports rebounding to RM148.8 billion and the trade balance widening to RM24.6 billion. However, this recovery is likely influenced by base effects and normalisation following earlier disruptions rather than a sustained strengthening in global demand. Domestic production has softened, with industrial production moderating to 130.3, indicating that external gains have yet to translate into sustained output momentum.

Four Indicator Supporting Sustained Momentum



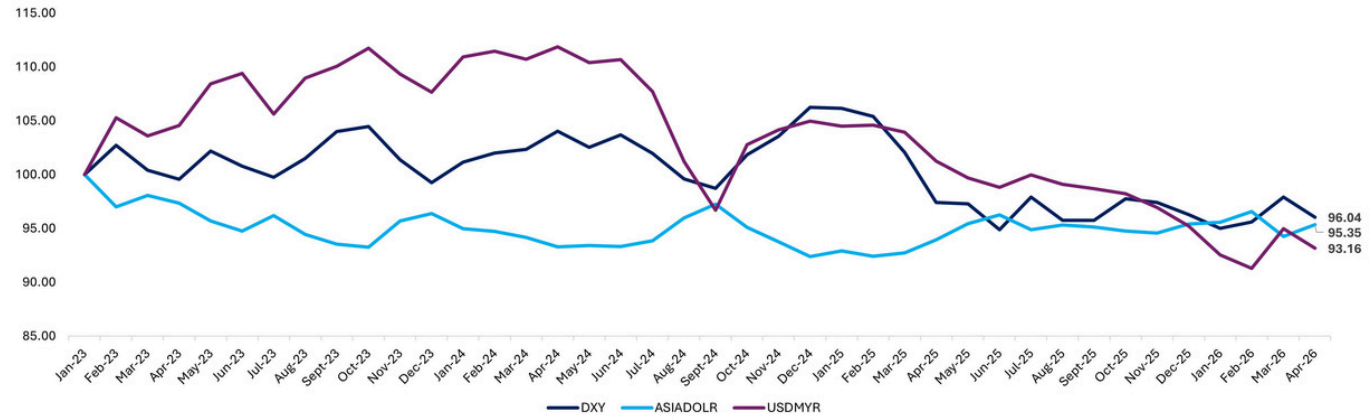
Domestic demand is becoming more cautious, with loan approvals declining to RM10.3 billion, signalling slower credit expansion and more selective borrowing behaviour. Retail activity remains stable but lacks acceleration, suggesting demand is holding rather than strengthening. This points to balance sheet preservation and softer forward investment, requiring businesses to prioritise cash flow discipline, working capital management and demand-linked expansion.

Financial conditions have improved, with the ringgit strengthening to 3.97 and equities recovering to 1,722 as defensive positioning unwinds. However, the moderation in USD strength reflects liquidity adjustment rather than structural improvement, keeping funding conditions disciplined. Businesses should therefore remain selective in capital deployment, focusing on return visibility and balance sheet strength rather than broad expansion.

Asia - Macro & Financial Conditions

Malaysia's macro outlook remains closely linked to Asia's broader currency and liquidity dynamics, with April marking a clear transition from synchronised movements towards greater divergence across FX markets. The chart shows that while the US dollar index (DXY) has moderated from its March peak, regional currencies have not responded uniformly, with the Asia dollar index stabilising and USD/MYR remaining relatively weaker in comparison. This reflects a shift from broad USD-driven cycles towards a more complex environment shaped by both global liquidity conditions and country-specific sensitivities.

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



source: Bloomberg, IPPFA Malaysia

The moderation in DXY to around 98 levels in April indicates that the earlier safe-haven premium driven by geopolitical tensions has partially unwound, consistent with improving risk sentiment and reduced defensive positioning. However, the dollar remains range-bound rather than structurally weak, supported by still-elevated US yields and cautious global positioning. This explains why the recovery in Asian currencies, including MYR, has been measured rather than decisive, reinforcing that current FX movements reflect stabilisation rather than a shift towards sustained easing in global financial conditions.

At the regional level, the Asia dollar index has shown relative stability, suggesting that broad-based currency pressure has eased but not reversed. In contrast, USD/MYR has exhibited greater volatility and a weaker recovery profile, highlighting Malaysia's higher sensitivity to external trade conditions and capital flow dynamics. This divergence indicates that currency performance is increasingly influenced by domestic exposure to global demand cycles, rather than moving in tandem with regional peers.

For businesses, this evolving FX environment carries important implications. Currency movements are becoming less predictable and more episodic, requiring more active and targeted risk management rather than reliance on broad regional trends. Hedging strategies should be more selectively applied, particularly for firms with USD exposure, while pricing and procurement decisions need to account for potential short-term volatility rather than assuming sustained currency stability. As global liquidity remains uncertain, exchange rate movements will continue to be driven as much by capital flows and positioning as by underlying trade fundamentals, reinforcing the need for greater financial flexibility and disciplined risk management.

Asia - Transmission Channels

Global external financial conditions have stabilised but remain tight, with the US dollar easing while yields stay elevated. This indicates that while the peak of tightening has passed, the cost of capital remains restrictive, particularly for emerging markets reliant on external financing. The improvement reflects reduced stress rather than easier liquidity, meaning funding conditions are still selective. For businesses, this reinforces the need for disciplined capital allocation, prioritising projects with clear return visibility rather than broad expansion.

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 conditions remain stable, with freight indicators showing no systemic disruption but early signs of cost normalisation. This suggests that logistics constraints have eased, but the earlier phase of cost relief is fading, with input and transport costs becoming more variable. As a result, risks are shifting from supply disruptions to pricing pressure and policy uncertainty, requiring firms to strengthen cost pass-through strategies and maintain flexibility in procurement and contracts.

Export-linked manufacturing across China and ASEAN has returned to expansion, but momentum remains uneven and lacks consistency. This reflects stabilisation rather than recovery, where order flows are improving but not yet strong enough to sustain a full production cycle. For businesses, this supports selective external opportunities, but demand visibility remains limited, reducing the case for capacity expansion without clearer confirmation of sustained orders.

For Malaysia, external risks remain elevated and increasingly concentrated in global risk conditions and cost pressures, while financial transmission has moderated but remains significant. Export-linked manufacturing conditions are improving but still not at full strength, indicating incomplete recovery. This implies a more selective operating environment, where performance depends on managing external volatility, cost pressures and demand uncertainty, rather than relying on broad-based external recovery.

Trade and Price Transmission

Recent commodity data indicates that the cost environment is shifting towards renewed and uneven cost pressures, led by a sharp rebound in energy and key industrial inputs. Oil prices have risen significantly, alongside higher coal and LNG, signalling renewed cost pressure across production and logistics. At the same time, elevated copper prices continue to reinforce input cost pressures in higher-value manufacturing segments, particularly electronics and capital goods, pointing to tighter margin conditions for export-oriented industries.

Cost Regime Snapshot

The cost environment is shifting from broad disinflation to more differentiated pressures. While energy inputs remain supportive, upstream commodities are diverging, with copper and coal rising, while iron ore stays stable and agricultural prices remain lower. This suggests cost conditions are no longer uniformly easing, but becoming increasingly sector-specific.

Key Commodity Price Reference Table

Commodity	12-Months Change (%)	Apr-25	May-25	Jun-25	Jul-25	Aug-25	Sept-25	Oct-25	Nov-25	Dec-25	Jan-26	Feb-26	Mar-26
Crude oil, Brent ($/bbl)	42.87%	67.75	64.21	71.45	70.95	68.20	67.95	64.65	63.61	62.72	66.77	71.11	103.69
Crude oil, Dubai ($/bbl)	28.13%	66.89	63.01	68.50	69.23	67.87	67.75	64.30	63.83	61.98	63.91	68.36	91.88
Coal, Australian ($/mt)	33.31%	98.61	104.41	109.03	112.90	112.15	106.32	107.50	112.60	107.67	109.78	118.37	138.6
Liquefied natural gas, Japan ($mmbtu)	18.37%	12.68	12.32	12.17	11.91	11.79	11.47	11.10	11.02	11.06	11.29	11.47	14.85
Copper ($/mt)	28.64%	9176.80	9532.98	9835.07	9770.58	9669.56	9983.79	10739.91	10812.03	11785.25	13012.00	12951.35	12528.71
Iron ore, cfr spot ($/dmtu)	4.35%	97.24	96.97	92.33	97.26	99.74	103.28	103.53	102.48	104.59	105.53	98.84	104.45
Palm oil ($/mt)	3.31%	994.37	907.58	935.39	976.38	1026.12	1036.74	1038.09	970.36	980.51	997.82	1041.60	1102.98
Rice, Thai 5% ($/mt)	-10.35%	415.00	431.00	419.00	392.00	375.00	374.00	356.00	368.00	424.00	408.00	409.00	381
Urea ($/mt)	83.94%	386.88	392.00	420.50	496.00	507.70	461.13	394.40	409.25	392.50	415.40	472.00	725.63
Gold ($/troy oz)	62.76%	3217.64	3309.49	3352.66	3340.15	3368.03	3667.68	4058.33	4087.19	4309.23	4752.75	5019.97	4855.54

source: Pink Sheet Apr 2026, World Bank

However, cost dynamics are increasingly fragmented rather than synchronised. Iron ore remains relatively stable, while agricultural prices such as rice have declined, limiting broad-based inflation spillover. In contrast, fertiliser prices have surged sharply and palm oil has firmed, indicating more concentrated cost pressure in agriculture and upstream supply chains. This divergence suggests that cost transmission is becoming more sector-specific, where firms with higher exposure to energy and industrial inputs face immediate margin compression, while others experience more contained impact. As a result, pricing power and cost structure are becoming more critical determinants of profitability across sectors.

For Malaysian firms, this implies a shift from passive cost absorption to active margin management. Rising energy and industrial inputs are likely to compress margins in trade-sensitive sectors, while domestic-facing segments remain relatively supported. Businesses should prioritise pricing discipline, strengthen procurement strategies and consider selective hedging to manage volatility. In addition, firms need to reassess cost structures and supplier dependencies, ensuring flexibility in sourcing and contract terms. As cost pressures become less predictable, the ability to adjust pricing, optimise operations and maintain cost efficiency will be critical to sustaining profitability in a more fragmented cost environment.

Trade, Costs and Margin Implications

Malaysia Exposure Matrix

Sector	External demand	Cost pressure	Margin outlook
Electronics and E&E	Improving (tactical rebound)	Rising (copper + energy)	Pressured
Manufacturing and machinery	Improving but uneven	Rising (metals + energy)	Pressured
Consumer and retail	Stable but moderating	Slightly rising (selective inputs)	Slightly pressured
Energy and utilities	Stable	Rising (fuel rebound)	Neutral to slightly positive
Construction and infrastructure	Stable to moderating	Rising (materials + energy)	Neutral to slightly pressured
Plantations and agriculture	Stable	Mixed (fertiliser ↑, food stable)	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 April environment reflects a more selective, execution-driven landscape, where improving external demand is not fully translating into earnings recovery. While exports and manufacturing have stabilised, rising input costs, particularly energy, metals and fertilisers, are compressing margins, especially in export-oriented sectors. This creates a divergence where revenues improve at the margin, but profitability remains constrained by a more demanding cost structure.

Sector performance is becoming more differentiated, with domestic segments stable but lacking margin expansion, while energy-related sectors benefit from higher prices. The shift is towards margin preservation rather than expansion, requiring firms to prioritise pricing discipline, cost control and operational efficiency. Sustained performance will depend on managing input volatility and aligning capacity with demand visibility rather than relying on broad demand recovery.

Economist View

Malaysia is entering a phase of normalisation without full recovery, where stabilising financial conditions and improved external demand are offset by moderating domestic momentum, rising cost pressures and ongoing geopolitical uncertainty. The rebound reflects a reversal of risk repricing rather than structural strengthening, leaving growth selective and favouring firms with strong balance sheets, resilient cash flows and disciplined capital allocation.

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What to watch

- **Direction of USD and yields shaping financial conditions and capital flows.**
- **Sustainability of export and manufacturing rebound beyond base effects.**
- **Impact of geopolitical developments on energy prices, trade flows and sentiment.**
- **Trends in energy, metals and fertiliser affecting margins.**

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