



FMM Business Conditions Survey 1H2026

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FMM is conducting the **29th FMM Business Conditions Survey** on performance in the first half of 2026 (1H2026) and outlook for second half of 2026 (2H2026).

As with the last 28 surveys since 2012, we are tracking the **FMM Business Conditions Index (FMM BCI)**, which measures members' feedback on their current and expected levels of business activity, local and export sales, production volume, capacity utilisation, capital investment, employment and cost of production.

Topical issues for this survey will focus on assessing manufacturers' views on the following:

- **Challenges to Business Operations and Growth in 2H2026**
- **Biggest Growth Strategies and Opportunities in 2H2026**
- **Industry 4.0 Adoption**
- **Geopolitical Risks and Impact on Business Operations**
- **Reintroduction of Goods and Services Tax (GST) to Replace Sales and Service Tax (SST)**
- **Renewable Energy (RE) Programme Adoption Status**
- **Human Resource Development Corporation (HRD Corp) Revisions to Training Grant Conditions**
- **Pre-Budget 2027 Inputs**

FMM aims to obtain over 1,000 responses for this survey. We seek members' continued support and participation to ensure that the BCI is a **REPRESENTATIVE and ACCURATE index** of manufacturing business conditions and feedback on the current state of business and the economy and current challenges faced are reflective of the industry.

The survey will be conducted completely online. The questionnaire takes about ten to fifteen minutes to complete and can be accessed by scanning the **QR** code above OR online via this link: <https://shout.com/s/CUh9idnS>.

This survey continues to be an important tool to collect members' feedback on the current and expected levels of business activities as well as on topical issues impacting the manufacturing sector. For instance, the last survey revealed the following:

- **Manufacturing Performance in 2H2025**
Manufacturing activity stabilised in 2H2025 after the slowdown in the first half of the year. General business activity, production and capacity utilisation returned to slight expansion, while domestic and export sales improved but remained below the neutral level, indicating that demand recovery was still fragile. Cost pressures moderated but remained elevated, with more than half of manufacturers continuing to report higher production costs. Capital investment and employment were broadly maintained, reflecting operational continuity but continued caution toward major expansion.
- **Outlook for 1H2026**
Manufacturers are cautiously optimistic about 1H2026, expecting moderate improvements in business activity, production, capacity utilisation, investment and employment. Export demand is

projected to remain broadly stable, while domestic sales are expected to stay subdued. Although cost pressures may ease slightly, they will remain a significant constraint, with 58% of respondents anticipating further increases. Overall, firms appear prepared to expand gradually while maintaining prudent cost and risk-management strategies.

- **Key Topical Findings**

- Revenue and profit expectations have improved, with 48% anticipating higher revenue and 41% expecting increased profits, although persistent cost pressures continue to affect margins.
- The main challenges are rising input costs, stronger competition, weak demand, difficulty attracting customers and changes in global trade policies.
- Growth strategies are centred on cost control, product diversification, market expansion, stronger marketing and greater adoption of digital technologies and AI.
- Industry 4.0 adoption increased to 38%
- Workforce strategies are focused on upskilling, automation, internships and stronger TVET recruitment pipelines.
- Circular economy and EPR adoption remain at an early stage due to regulatory uncertainty, high costs and infrastructure constraints.
- US tariffs have had a moderate immediate impact, but concerns remain over margins, competitiveness and supply-chain spillovers.
- Exporters also continue to face embedded SST-related service costs.
- Awareness and uptake of Smart Tech Up remain limited because of eligibility, application, technical and financial barriers.
- Externally, the stronger Ringgit and competition from Chinese products are placing greater pressure on margins and market share, while ASEAN is increasingly viewed as both a competitive market and a strategic regional sourcing and production network.

The closing date of the survey is **August 7, 2026.**

Thank you for taking your valuable time off to complete the questionnaire.

Enquiries: Puan Hema Thiruchelvam / Puan Kamsiah A Rahim, Business Environment Division
at Tel: 03-6286 7200 or e-mail: Business_Environment@fmm.org.my.



Mr Jacob Lee Chor Kok
President

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