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PETALING JAYA: Rising electricity tariffs and higher raw material costs are expected to squeeze margins across Malaysia's technology manufacturing sector in the coming quarters, according to BIMB Research.

The research house said a sharp reversal in electricity costs was evident in Tenaga Nasional Bhd's (TNB) May 2026 automatic fuel adjustment mechanism (AFA).

"A sharp trend reversal is evident in TNB's May 2026 AFA data, which swung into a 1.38 sen per kilowatt hours (kwh) surcharge position from a rebate of 0.47 sen per kwh in April," it said in a note.

The situation is expected to worsen after the Energy Commission raised the June 2026 surcharge to 2.59 sen per kwh due to higher generation costs, it added.

"We anticipate that this energy crunch, combined with climbing raw copper material costs will erode profit margins across the manufacturing supply chain," BIMB Research said noting the technology sector delivered a mixed set of results in the first quarter of financial year 2026.