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MALAYSIA: MONTHLY ECONOMIC UPDATE

2 SEPTEMBER 2026

ECONOMIC RESEARCH

ROBUST 1H26 PERFORMANCE PROMPTS GDP FORECAST UPGRADE TO 5.1%; NET EXPORTS DRIVE STRONGER ECONOMIC GROWTH IN 2Q26

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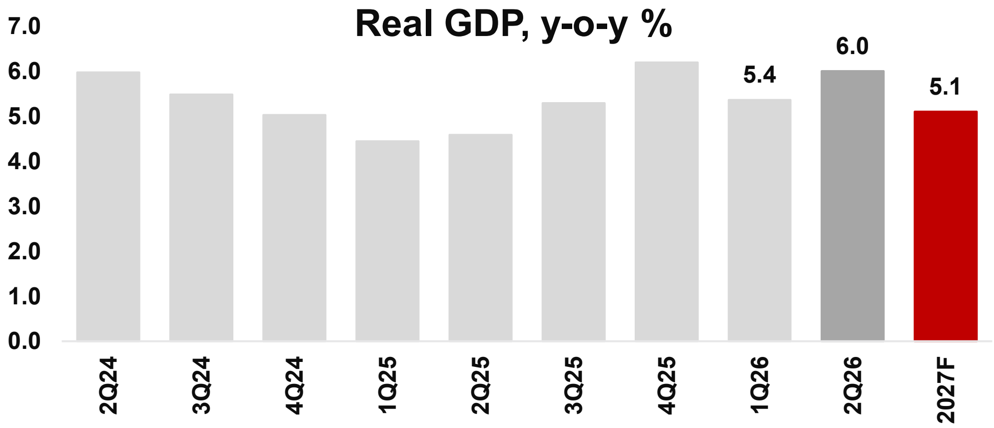
Economy	2Q25	3Q25	4Q25	1Q26	2Q26	2025	2026f
GDP (by expenditure)	**4.6**	**5.3**	**6.2**	**5.4**	**6.0**	**5.2**	**5.1**
Final Consumption Expenditure	**5.5**	**5.4**	**5.8**	**4.6**	**5.2**	**5.3**	**4.8**
-Private Consumption	5.1	5.8	5.6	4.7	4.8	5.3	4.8
-Public Consumption	5.7	5.8	6.6	4.1	7.6	5.3	5.0
Gross Fixed Capital Formation (GFCF)	**12.0**	**7.4**	**9.3**	**7.3**	**4.6**	**9.6**	**5.4**
-Private Investment	11.7	7.4	9.2	7.8	4.3	9.4	5.5
-Public Investment	13.5	7.5	9.5	5.3	6.3	10.3	5.0
Net Exports of Good and Services	**-58.3**	**32.2**	**-32.9**	**13.5**	**168.5**	**-15.6**	**22.1**
-Exports	4.5	4.6	6.3	5.2	17.0	4.9	8.8
-Imports	7.9	3.0	9.0	4.6	13.9	6.3	8.1
GDP (by economic activity)	**4.6**	**5.3**	**6.2**	**5.4**	**6.0**	**5.2**	**5.1**
-Agriculture	2.5	0.2	5.7	2.6	-3.7	2.2	-1.0
-Mining & Quarrying	-5.2	9.4	1.4	-2.1	9.2	0.6	3.1
-Manufacturing	3.7	4.1	6.0	5.9	7.3	4.5	6.2
-Construction	12.1	11.7	10.9	7.7	6.5	12.2	6.8
-Services	5.1	5.3	6.2	5.6	5.9	5.4	5.4



Sources: DOSM, CEIC Data, Bank Islam

- Malaysia's economy expanded by 6.0% y-o-y in 2Q26, accelerating from 5.4% in 1Q26. The outcome was in line with our forecast and exceeded the advance estimate of 5.8%. As a result, real GDP growth averaged 5.7% in 1H26, significantly higher than the 4.5% recorded in the corresponding period of 2025.

- The stronger economic performance in 2Q26 was underpinned by several key factors, including positive spillovers from AI-related investments, ongoing global supply chain reconfiguration amid persistent geopolitical tensions in the Middle East, stable labour market conditions, and a relatively benign inflation environment. Notably, net exports emerged as the primary driver of growth, surging by 168.5% y-o-y, compared with 13.5% in the preceding quarter. This sharp increase was driven by stronger export growth of 17.0%, which outpaced import growth of 13.9%. Export performance continued to benefit from robust demand for electrical and electronics (E&E) products, supported by the ongoing AI-driven technology cycle and broader global digitalisation trends. Favourable base effects also contributed to the strong year-on-year expansion recorded during the quarter.

- From the supply side, growth was supported by stronger performance in the services and manufacturing sectors, alongside a rebound in mining activity. On the demand side, economic expansion was primarily anchored by resilient domestic spending, reflecting sustained household consumption and business activity. However, gross fixed capital formation (GFCF) moderated to 4.6% y-o-y in 2Q26 from 7.3% in 1Q26, marking its slowest pace of expansion in 17 quarters. Despite the moderation, investment activity remained supportive of overall economic growth.

- Following the stronger-than-expected economic performance in the first half of 2026, we have revised our full-year GDP growth forecast upward to 5.1% from 4.7% previously. The revision reflects greater confidence in the resilience of domestic demand, continued support from the global technology upcycle, sustained export momentum, and the positive spillover effects from ongoing investment activities. Nevertheless, downside risks remain concentrated in the external environment, particularly amid heightened geopolitical tensions, evolving global trade dynamics, and uncertainty surrounding global monetary policy conditions.

RESILIENT CONSUMPTION AND SURGING NET EXPORTS OFFSET MODERATING PRIVATE INVESTMENT

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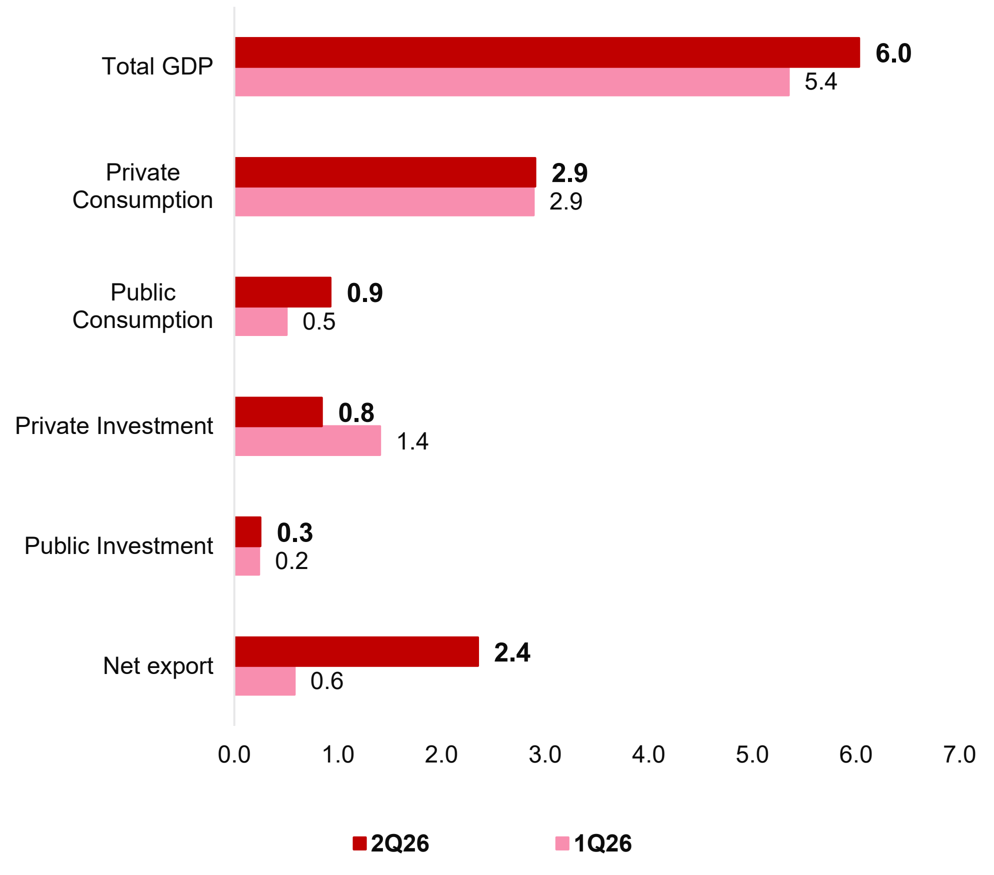
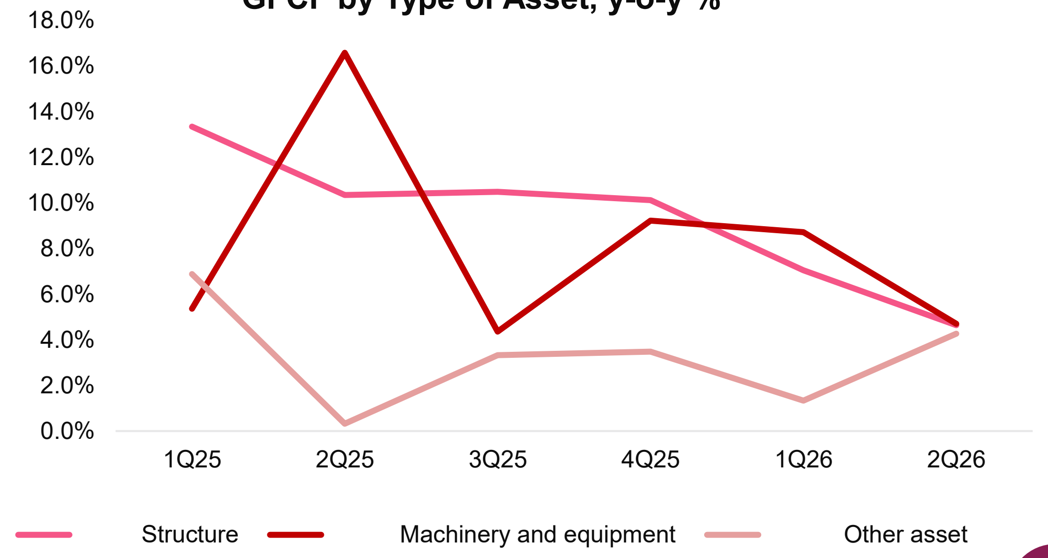
GDP by Type of Expenditure: PPT Contribution to GDP Growth



Private consumption by segment, y-o-y %

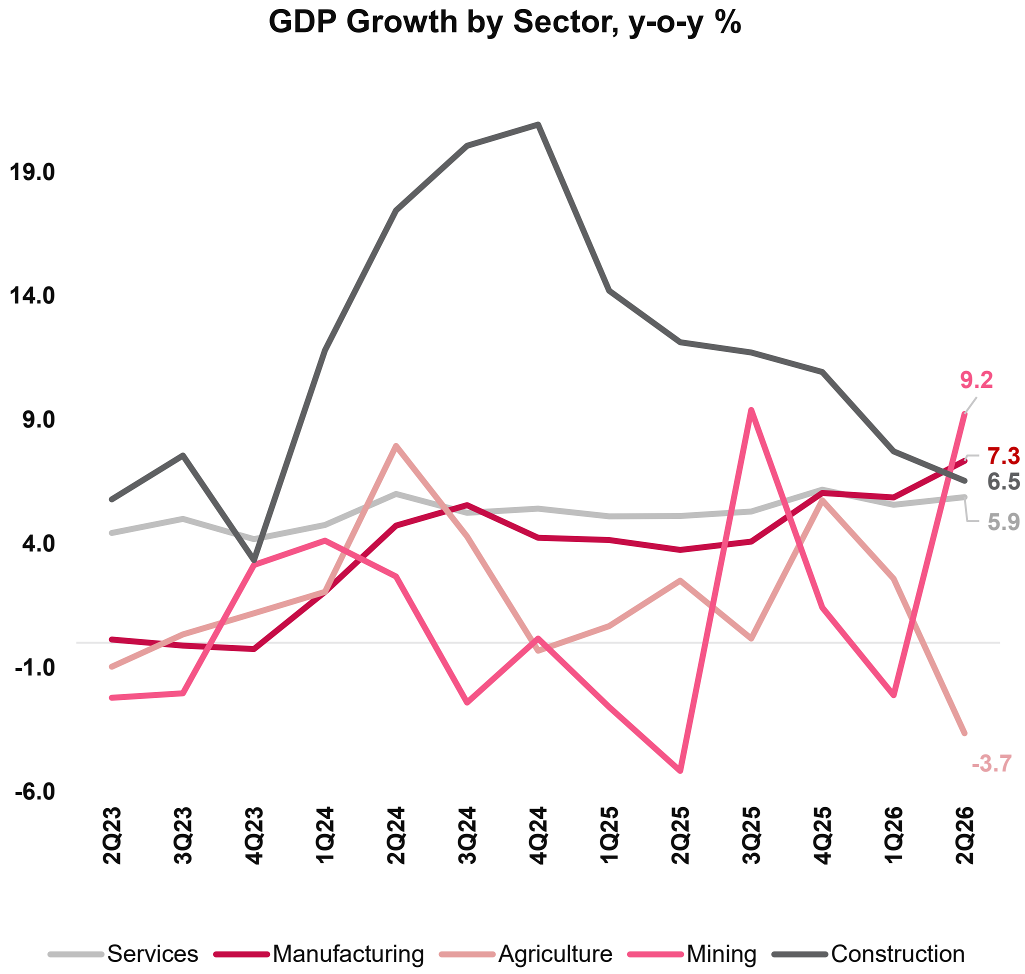
	1Q26	2Q26
Private Consumption	4.7	4.8
Food and non-alcoholic beverages	3.7	3.6
Housing, water, electricity, gas and other fuels	2.2	1.8
Transport	9.2	7.1
Communication	5.2	3.5
Restaurants and hotels	12.9	10.9
Furnishings, household equipment and routine household maintenance	4.5	3.8
Clothing and footwear	8.4	7.5
Recreation services and culture	6.0	5.2
Others	-1.8	4.0

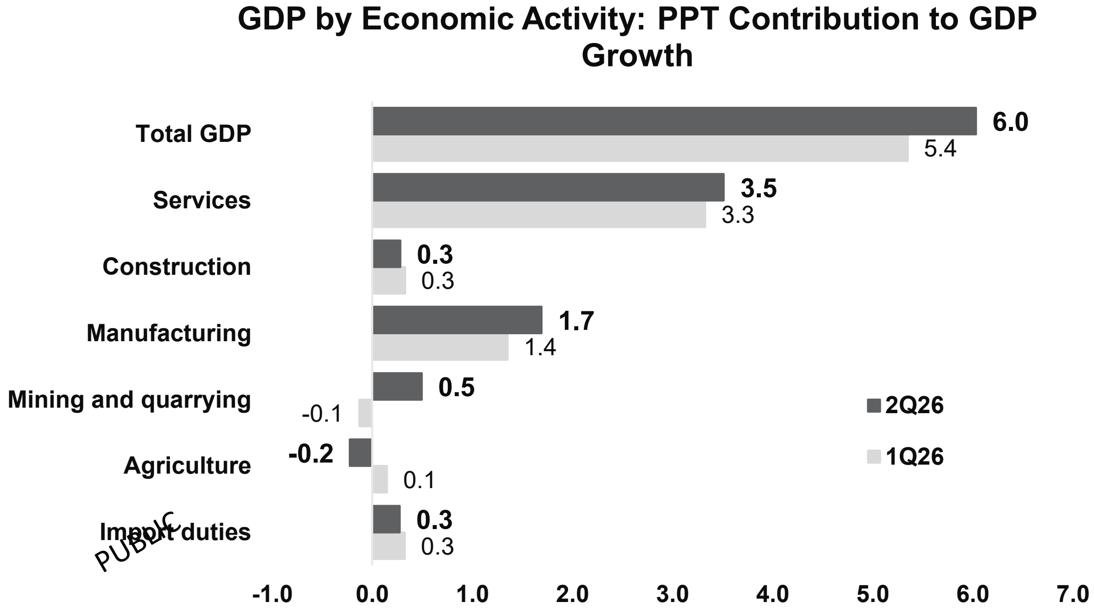
GFCF by Type of Asset, y-o-y %

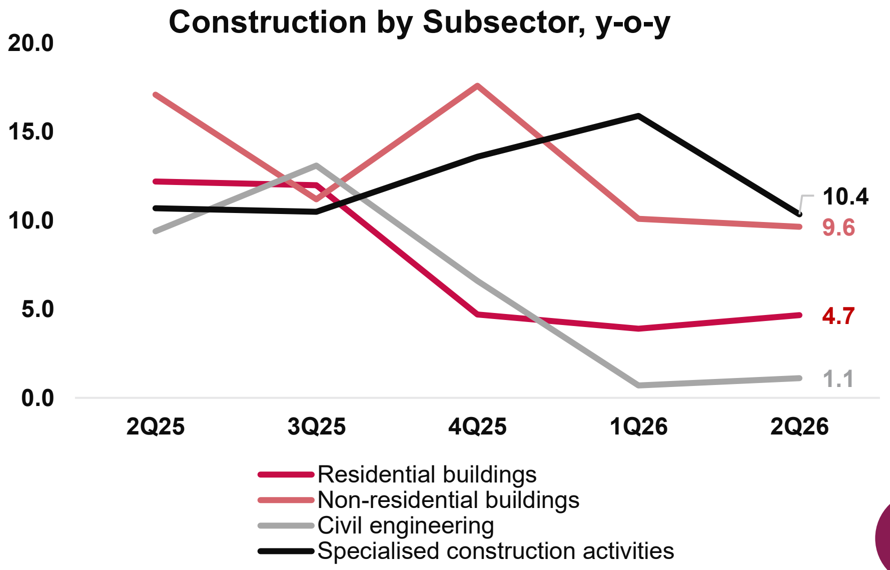


Sources: DOSM, CEIC Data, BNM, Bank Islam

GROWTH REMAINED BROAD-BASED, WITH A STRONG REBOUND IN MINING







Sources: DOSM, CEIC Data, Bank Islam

CURRENT ACCOUNT SURPLUS NARROWED AMID WIDER INCOME DEFICIT

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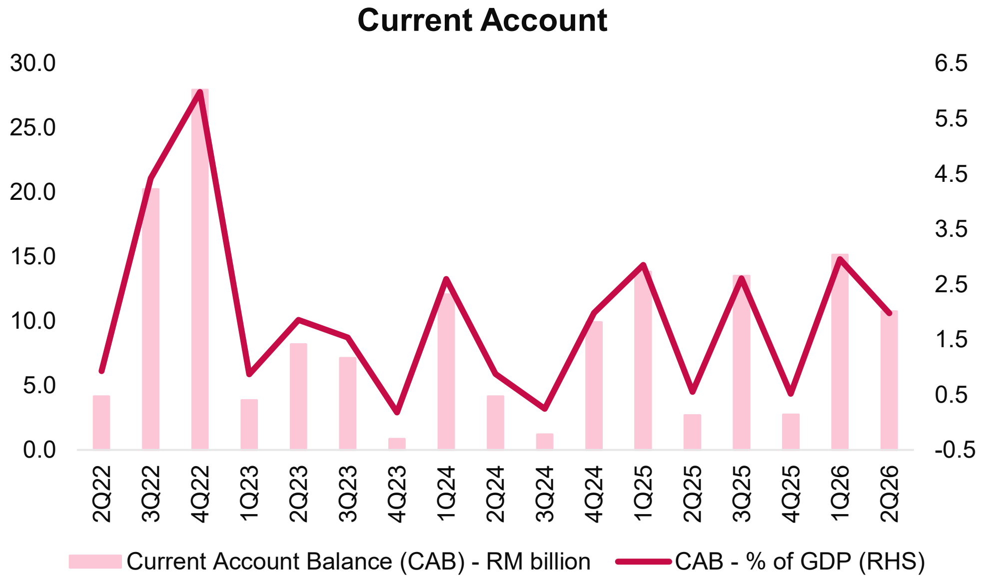

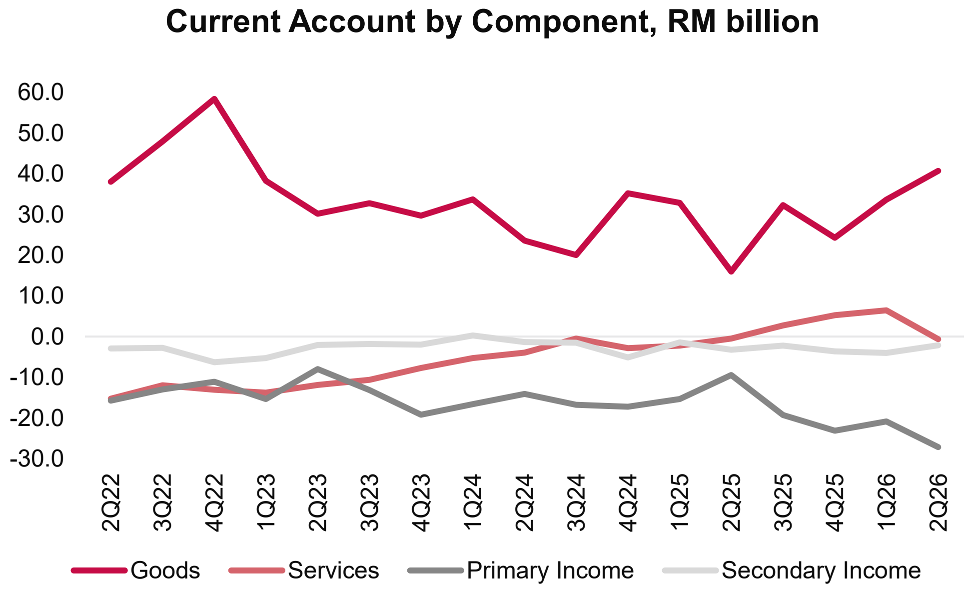

Sources: DOSM, CEIC Data, Bank Islam

- Malaysia's current account (CA) surplus narrowed to RM10.8bn, equivalent to 2.0% of GDP, in 2Q26 from RM15.2bn (3.0% of GDP) in 1Q26. While the goods trade surplus strengthened significantly, the overall CA balance was weighed down by a return to a services trade deficit and a wider primary income deficit, reflecting higher profit repatriation by foreign investors.
- The primary income account deficit widened to a record RM27.2bn in 2Q26 (1Q26: -RM20.9bn), largely due to a sharp increase in profit repatriation by foreign companies, which rose to RM51.8bn from RM38.6bn previously. This more than offset stronger earnings from Malaysian investments abroad, which increased to RM24.6bn (1Q26: RM17.8bn). Meanwhile, the secondary income deficit narrowed to RM2.1bn from RM4.0bn, supported by higher inward remittances and lower outward remittance flows.
- The services account reverted to a small deficit of RM0.7bn after recording a surplus of RM6.4bn in 1Q26. The deterioration was mainly driven by softer travel receipts, with the travel surplus easing to RM13.2bn (1Q26: RM14.1bn) amid lower tourist arrivals and visitor numbers during the quarter. At the same time, larger net payments for transport services, particularly freight-related activities, as well as a wider insurance and pension services deficit, further weighed on the services balance.
- In contrast, the goods trade surplus widened to RM40.7bn in 2Q26 from RM33.6bn previously. Goods exports accelerated sharply by 42.3% y-o-y (1Q26: 12.7%), underpinned by strong demand for E&E products, whose exports surged 57.4% during the quarter. Imports also expanded at a robust 25.4% y-o-y (1Q26: 7.7%), reflecting a rebound in capital goods imports amid stronger investment activity, particularly from the public sector.
- On the financial account, Malaysia recorded a net outflow of RM27.0bn in 2Q26, reversing from a RM27.4bn net inflow in the previous quarter. This was primarily due to a sharp turnaround in portfolio investment flows. Net direct investment inflows also softened considerably to RM0.4bn (1Q26: RM14.7bn), reflecting lower FDI inflows of RM7.4bn compared with RM22.8bn in 1Q26, despite a moderation in direct investment abroad (DIA).
- We maintain our 2026 current account surplus forecast at 2.1% of GDP, supported by a resilient goods trade balance amid sustained export growth, particularly in the E&E sector and energy-related commodity products. While external uncertainties and income outflows could continue to weigh on the current account, Malaysia's strong export performance is expected to remain the key driver underpinning the overall surplus.

MANUFACTURING OUTPUT STRENGTHENS AS IPI GROWTH MODERATES TO 6.5% Y-O-Y IN JUNE 2026

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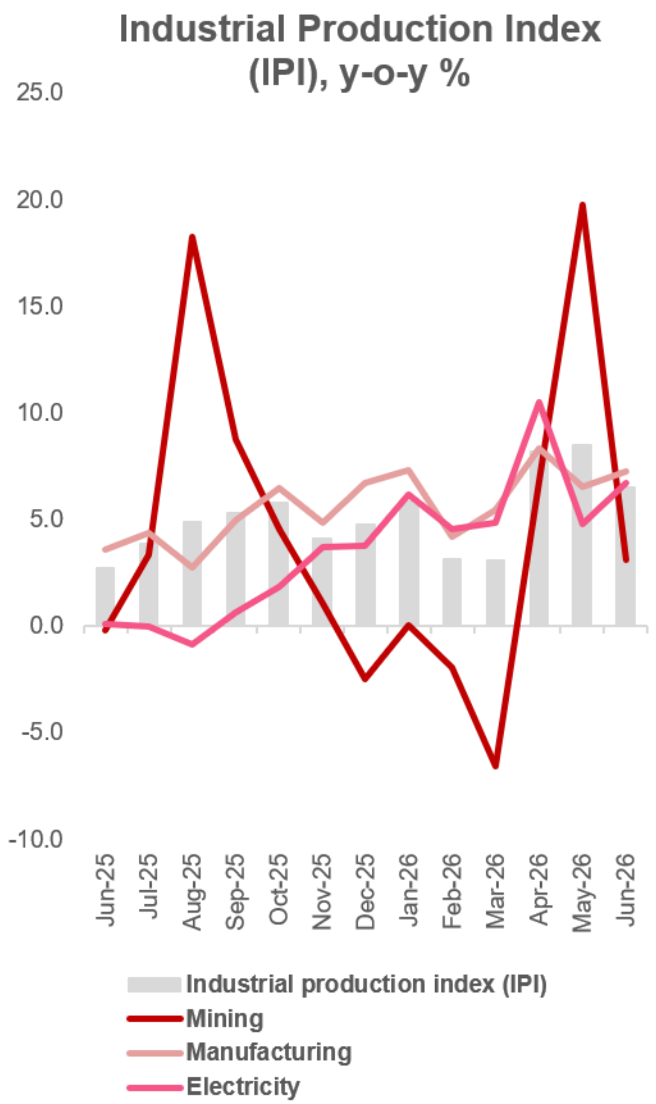

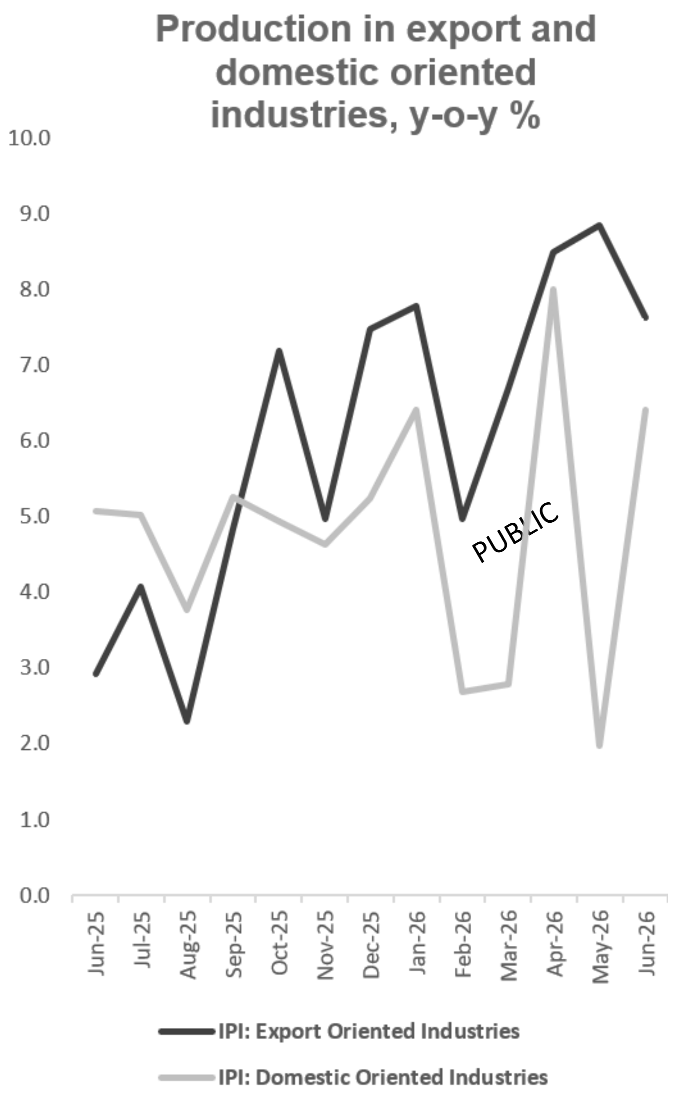

- Malaysia's Industrial Production Index (IPI) remained on a firm growth trajectory, albeit easing to 6.5% y-o-y in June 2026 (May: 8.5%). The moderation was anticipated, reflecting a higher base effect from June 2025. By sector, mining output moderated significantly, growing by 3.1% (May: 19.8%) following the sharp surge in the previous month. In contrast, manufacturing activity strengthened to 7.3% (May: 6.6%), while electricity generation accelerated to 6.7% (May: 4.2%). Overall, IPI expanded by 7.7% y-o-y in 2Q26, underscoring the continued resilience of economic activity.
- The sustained expansion in IPI was primarily driven by the manufacturing sector. E&E products remaining the key growth anchor despite moderating to 13.6% y-o-y (May: 16.2%). Production in export-oriented industries remained resilient, expanding by 7.6% (May: 8.8%), More encouragingly, domestic-oriented industries rebounded strongly, with output growth accelerating to 6.4% from 1.9% in May, signaling improving domestic demand conditions.
- Meanwhile, mining output moderated as natural gas production growth eased sharply to 7.4% y-o-y following the strong increase recorded in the previous month, while crude petroleum production remained in contraction, declining further by 3.3% y-o-y.
- Going forward, industrial production is expected to maintain its growth momentum, although the pace of expansion is likely to normalise from the current elevated levels. Sustained demand for E&E products, resilient domestic demand and continued investment-related activities are expected to underpin growth in manufacturing output and energy generation. Nonetheless, external headwinds remain a key downside risk, particularly prolonged supply chain disruptions, higher production costs, softer external demand and increasingly restrictive global trade policies, which could temper industrial activity in the coming quarters.

Sources: DOSM, CEIC Data, Bank Islam

HEATMAP OF SECTORAL PRODUCTION

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Component/Sub-component	Weight	Jun-25	Jul-25	Aug-25	Sep-25	Oct-25	Nov-25	Dec-25	Jan-26	Feb-26	Mar-26	Apr-26	May-26	Jun-26
Industrial Production Index (IPI)	**100.0**	2.7	3.9	4.9	5.3	5.8	4.1	4.8	5.9	3.1	3.1	8.2	8.5	6.5
Mining	25.1	-0.2	3.4	18.3	8.7	4.5	1.1	-2.5	0.1	-2.0	-6.5	6.8	19.8	3.1
Electricity	6.6	0.1	0.0	-0.9	0.6	1.9	3.7	3.8	6.2	4.6	4.8	10.5	4.8	6.7
Manufacturing (Mfg)	68.3	3.6	4.4	2.8	5.0	6.5	4.9	6.7	7.3	4.2	5.5	8.3	6.6	7.3
Food, Beverages & Tobacco (FB)	*8.6*	9.8	8.1	3.4	8.7	10.6	8.0	11.2	12.2	5.7	9.1	8.9	-0.3	1.8
Textiles, Wearing Apparel, Leather & Footwear (TW)	*1.3*	-2.1	-1.0	-1.0	1.5	1.5	1.0	2.4	2.7	-1.8	1.1	3.4	-0.4	0.0
Wood Products, Furniture, Paper Products, Printing (WP)	*4.6*	2.4	3.8	3.4	3.9	4.9	2.9	1.7	5.7	2.6	3.0	5.5	3.8	5.7
Petroleum, Chemical, Rubber & Plastic Products (PC)	*20.6*	-1.5	-0.6	-1.1	-0.6	-0.3	-1.8	0.3	-1.8	-2.1	0.1	3.8	3.4	2.6
Non-Metallic Mineral, Basic Metal & Fabricated Metal Prod	*9.1*	3.3	3.9	3.6	3.0	4.8	3.7	5.6	7.0	3.5	3.7	6.5	4.9	5.0
Electrical & Electronic Products (EE)	*18.2*	6.4	8.5	6.6	9.1	13.4	10.8	12.8	15.2	12.9	12.5	12.8	16.2	13.6
Transport Equipment & Other Manufactures (TE)	*5.9*	3.2	2.2	-1.7	4.6	0.1	2.4	3.5	3.8	-3.5	-2.9	10.7	-4.8	9.4
Export Oriented Industries	*45.8*	2.9	4.1	2.3	4.8	7.2	5.0	7.5	7.8	5.0	6.7	8.5	8.8	7.6
Domestic Oriented Industries	*22.4*	5.1	5.0	3.8	5.3	4.9	4.6	5.2	6.4	2.7	2.8	8.0	2.0	6.4

Positive
Neutral
Negative

Sources: DOSM, CEIC Data, Bank Islam

STRONG E&E DEMAND TO SUPPORT CONTINUED GROWTH IN MANUFACTURING SALES

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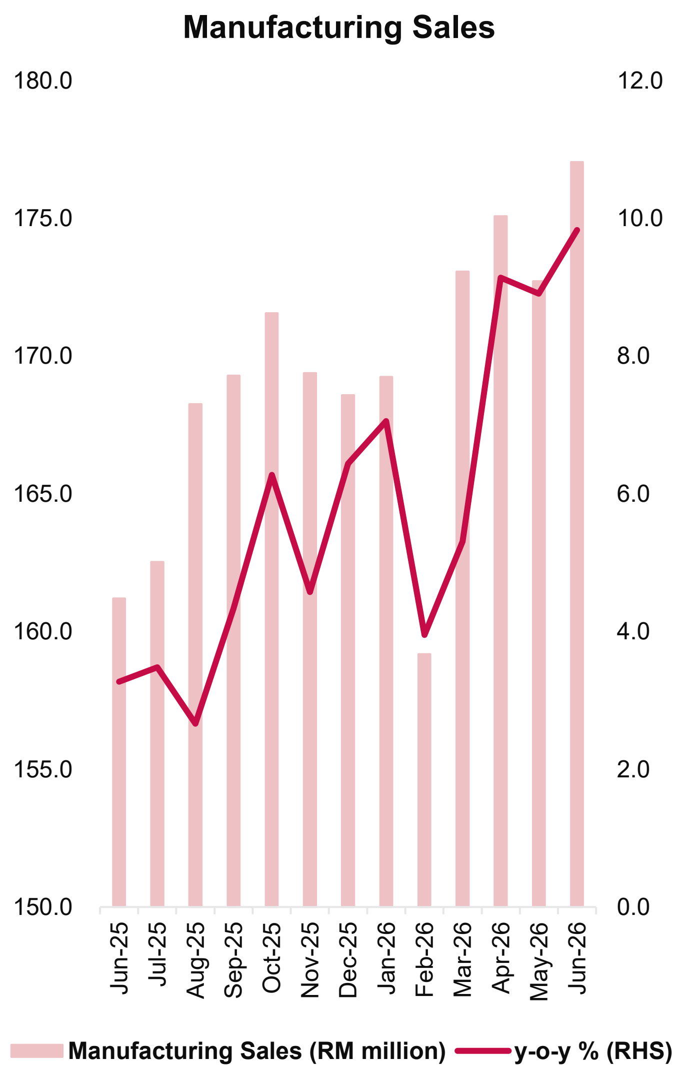
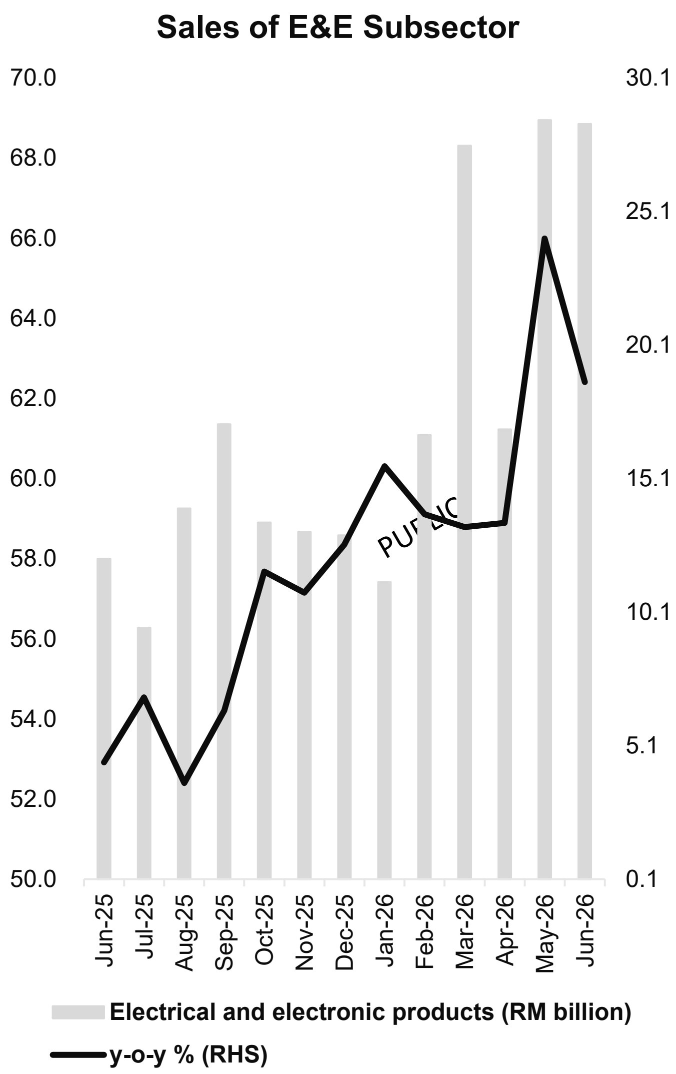




- Manufacturing sales expanded by 9.8% y-o-y with monthly sales value reaching a new high of RM177.0 billion in June 2026 (May: 8.9%), driven primarily by the continued strength of the E&E subsector, which recorded robust growth of 18.7% y-o-y. Growth was also supported by steady expansions in the petroleum, chemical, rubber and plastic products subsector (4.8%) and a recovery in the food, beverages and tobacco subsector (2.2%).

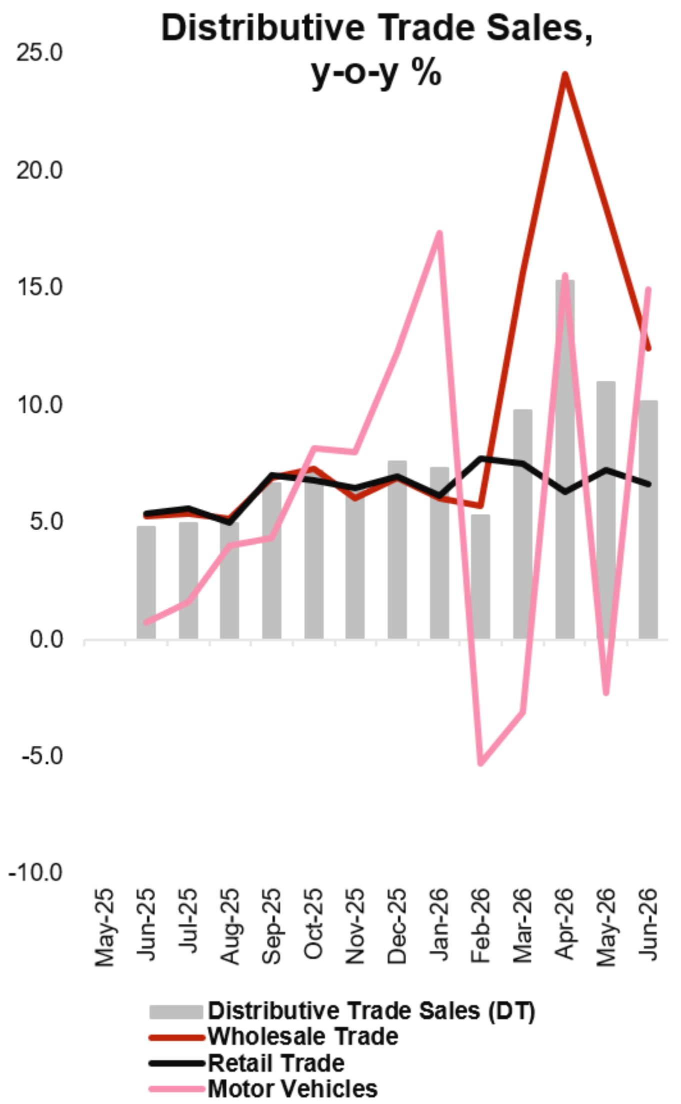
- On a month-on-month basis, manufacturing sales rebounded by 2.5% m-o-m in June (May: -1.3%), reflecting stronger demand across several key industries. The increase was mainly driven by higher sales of computers and peripheral equipment, consumer electronics, and refined petroleum products, all of which registered double-digit growth during the month.

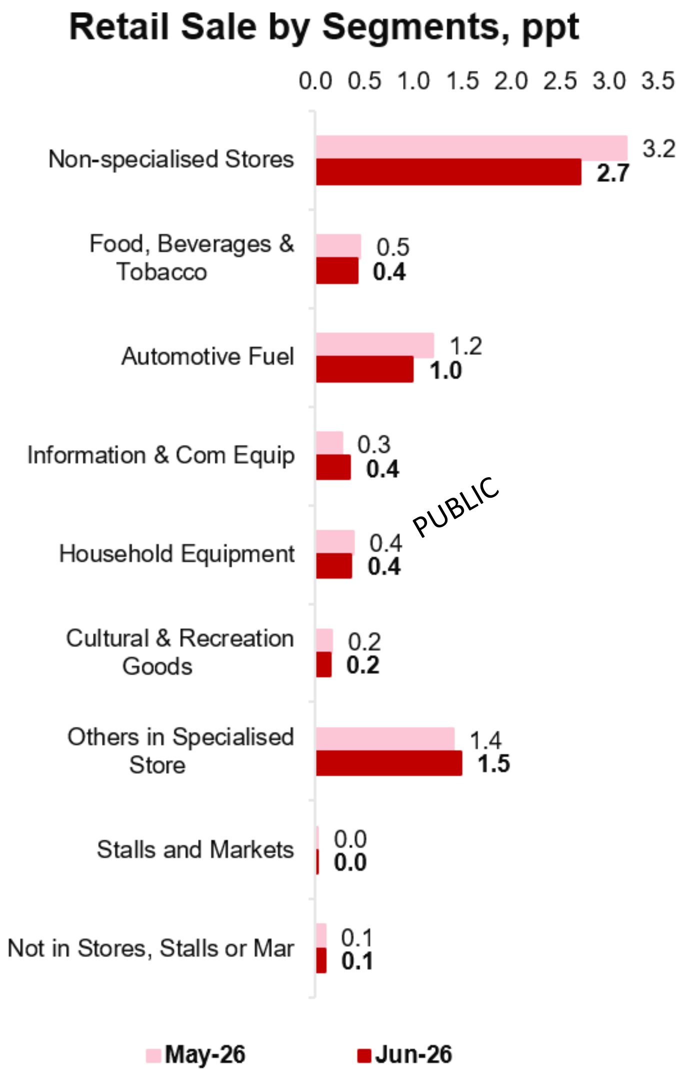
- Looking ahead, manufacturing sales are expected to remain on an expansionary path, underpinned by resilient external demand, particularly for E&E and technology-related products, as well as sustained domestic consumption.

- In addition, Malaysia is likely to benefit from continued demand for petroleum-based products, providing further support to overall manufacturing activity. Nevertheless, elevated input costs, lingering supply chain disruptions and uncertainties surrounding global trade conditions could moderate the pace of growth going forward.

Sources: DOSM, CEIC Data, Bank Islam

RETAIL SPENDING CONTINUED TO EXPAND, THOUGH MOMENTUM MODERATED





- Malaysia's distributive trade maintained a healthy growth trajectory, expanding by 10.1% y-o-y in June 2026 (May: 11.0%), albeit at a slightly slower pace. Growth was primarily supported by continued strength in wholesale trade, which rose by 12.4% y-o-y (May: 18.4%), alongside a notable rebound in motor vehicle sales, which surged 14.9% y-o-y after contracting 2.3% in May.
- Retail sales growth moderated to 6.6% y-o-y in June from 7.2% in May, reflecting a gradual normalisation in consumer spending following the festive period. On a sequential basis, retail activity showed signs of easing, with growth slowing to 0.2% m-o-m (May: 1.3%). Notably, non-specialised stores, a key contributor to overall retail sales, recorded a marginal contraction of 0.1% m-o-m after growing 2.7% in May, indicating softer spending momentum across selected consumer segments.
- We expect retail sales to remain on a positive growth trajectory, albeit at a more moderate pace, as spending normalises following festive-related demand and earlier cash assistance disbursements. Nevertheless, supportive fundamentals, including a resilient labor market, steady income growth, and public sector salary adjustments, should continue to underpin household consumption. Domestic demand is expected to remain a key pillar of growth amid external uncertainties, while sustained tourist arrivals, supported by the extension of the Visit Malaysia 2026 (VM2026) campaign through 2027, should provide continued support to the retail, hospitality, and transportation sectors. However, elevated cost-of-living pressures and price increases may continue to weigh on consumer sentiment and discretionary spending.

Sources: DOSM, CEIC Data, Bank Islam

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HEATMAP OF DISTRIBUTIVE TRADE

Component/Sub-component	Share	Jun-25	Jul-25	Aug-25	Sep-25	Oct-25	Nov-25	Dec-25	Jan-26	Feb-26	Mar-26	Apr-26	May-26	Jun-26
Distributive Trade Sales	**100.0**	**4.8**	**5.0**	**4.9**	**6.6**	**7.2**	**6.4**	**7.6**	**7.3**	**5.3**	**9.8**	**15.3**	**11.0**	**10.1**
Motor Vehicles	10.9%	**0.7**	**1.6**	**4.0**	**4.3**	**8.2**	**8.0**	**12.2**	**17.3**	**-5.3**	**-3.1**	**15.5**	**-2.3**	**14.9**
Wholesale Trade	47.1%	**5.2**	**5.4**	**5.1**	**6.9**	**7.3**	**6.0**	**6.9**	**6.0**	**5.7**	**15.7**	**24.1**	**18.4**	**12.4**
Retail Trade	42.0%	**5.4**	**5.6**	**5.0**	**7.0**	**6.8**	**6.4**	**6.9**	**6.1**	**7.7**	**7.5**	**6.3**	**7.2**	**6.6**
Non-specialised Stores	16.4%	5.7	5.5	5.6	9.9	9.1	8.7	9.3	7.9	10.4	8.1	6.1	8.2	7.0
Food, Beverages & Tobacco	2.7%	6.5	6.1	5.5	6.2	6.9	6.3	6.5	5.6	7.7	7.9	5.8	7.2	6.6
Automotive Fuel	4.1%	6.0	6.6	5.3	7.0	7.2	6.7	7.4	7.0	6.2	10.6	12.5	12.8	10.8
Information & Com Equip	3.1%	4.1	3.3	3.1	4.2	6.5	4.9	5.9	3.9	4.1	5.9	3.7	3.5	4.7
Household Equipment	4.7%	3.8	3.6	2.6	2.5	2.8	3.0	3.1	3.3	4.3	4.1	3.5	3.4	3.2
Cultural & Recreation Goods	1.7%	3.4	3.0	3.1	4.6	4.3	4.1	3.9	4.2	3.0	2.7	3.8	4.1	3.7
Others in Specialised Store	8.8%	5.9	7.6	6.0	5.8	5.2	5.1	5.6	5.4	7.4	8.2	6.8	6.7	7.0
Stalls and Markets	0.1%	5.8	5.5	5.2	5.3	5.5	5.3	5.9	6.2	8.9	9.3	6.4	8.1	7.7
Not in Stores, Stalls or Mar	0.4%	5.4	5.1	5.0	9.2	8.6	7.2	9.1	9.0	8.2	8.5	8.8	9.8	10.0

Sources: DOSM, CEIC Data, Bank Islam

Positive
Neutral
Negative

EXPORT GROWTH REMAINED ROBUST DESPITE MODERATE COOLING

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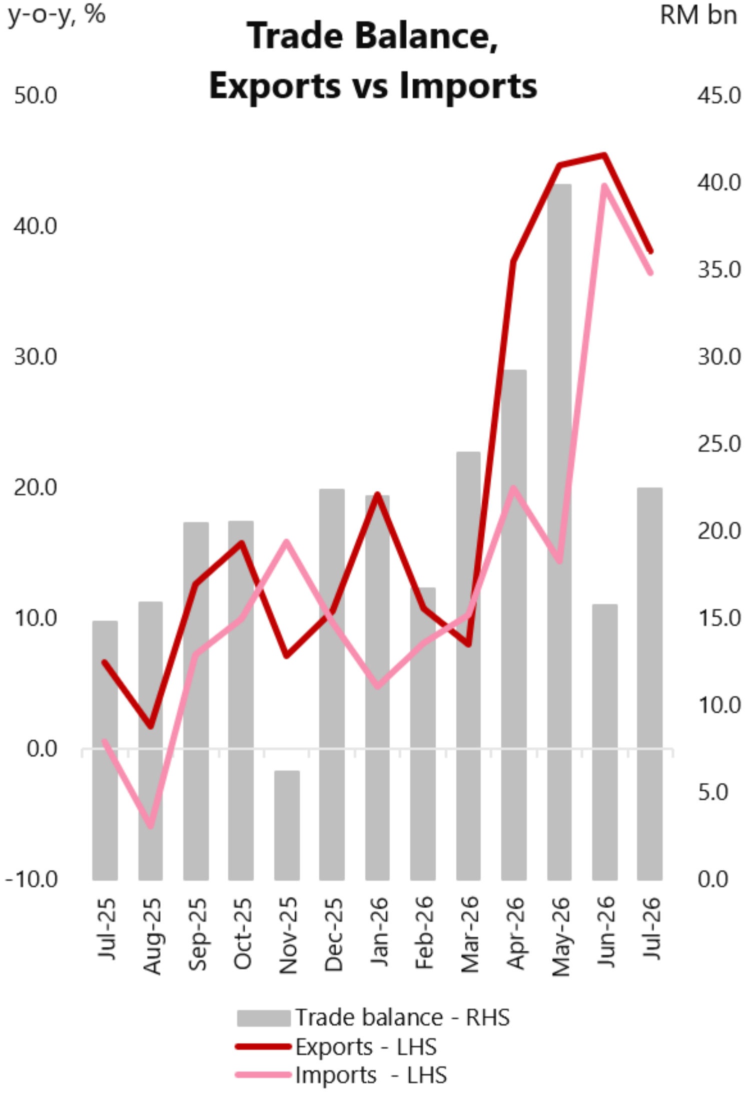

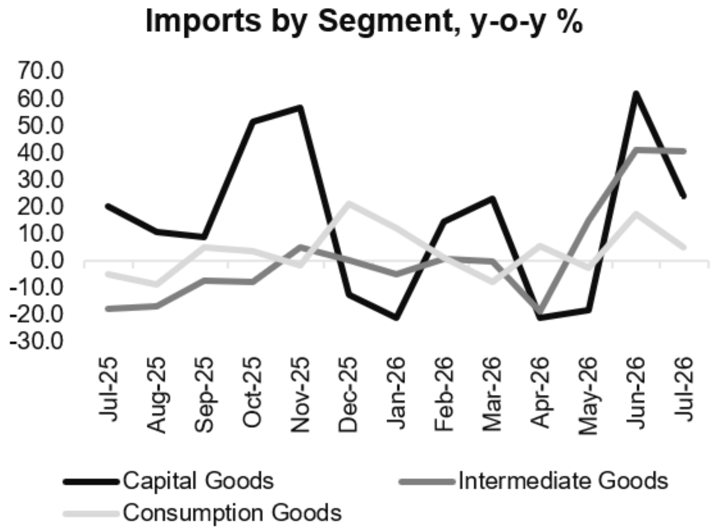

Sources: DOSM, CEIC Data, Bank Islam

- Exports expanded by 38.0% y-o-y in July (Jun: 45.5%), extending the strong growth trend, supported primarily by E&E products (+51.0%) and machinery, equipment & parts (+41.6%). Growth continued to be driven by domestic exports, which gained pace by 36.9% (Jun: 44.6%) and accounted for 73.0% of total exports, while re-exports also remained firm, increased by 41.2% (Jun: 48.7%), and contributing 27.0% to total exports, largely supported by manufactured products, particularly E&E and petroleum-related goods.
- Manufactured exports remained the key driver, rising 42.6% y-o-y and contributing almost entirely to overall export growth. Improvements were also seen in palm oil exports, which returned to growth (+13.6%), while mining exports increased 9.6%, supported by higher LNG exports.
- Import growth moderated to 36.4% y-o-y (Jun: 43.1%) but remained strong, reflecting continued demand for intermediate (+40.8%), capital (+24.0%), and consumption goods (+5.2%).
- Consequently, total trade expanded by 37.3% y-o-y, marking the 11th consecutive month of double-digit growth, while the trade surplus widened to RM22.5bn (Jun: RM15.8bn).
- YTD exports grew 29.2% y-o-y, underpinned by sustained demand for E&E products, particularly AI- and data centre-related technologies. While export growth is expected to moderate in the coming months due to base effects and a gradual normalisation of front-loaded orders, demand for semiconductors, digital infrastructure, and higher commodity prices could continue to provide support. However, risks from geopolitical tensions, supply disruptions, and global financial uncertainty remain key factors to monitor.

HEATMAP OF MAJOR EXPORT PRODUCTS

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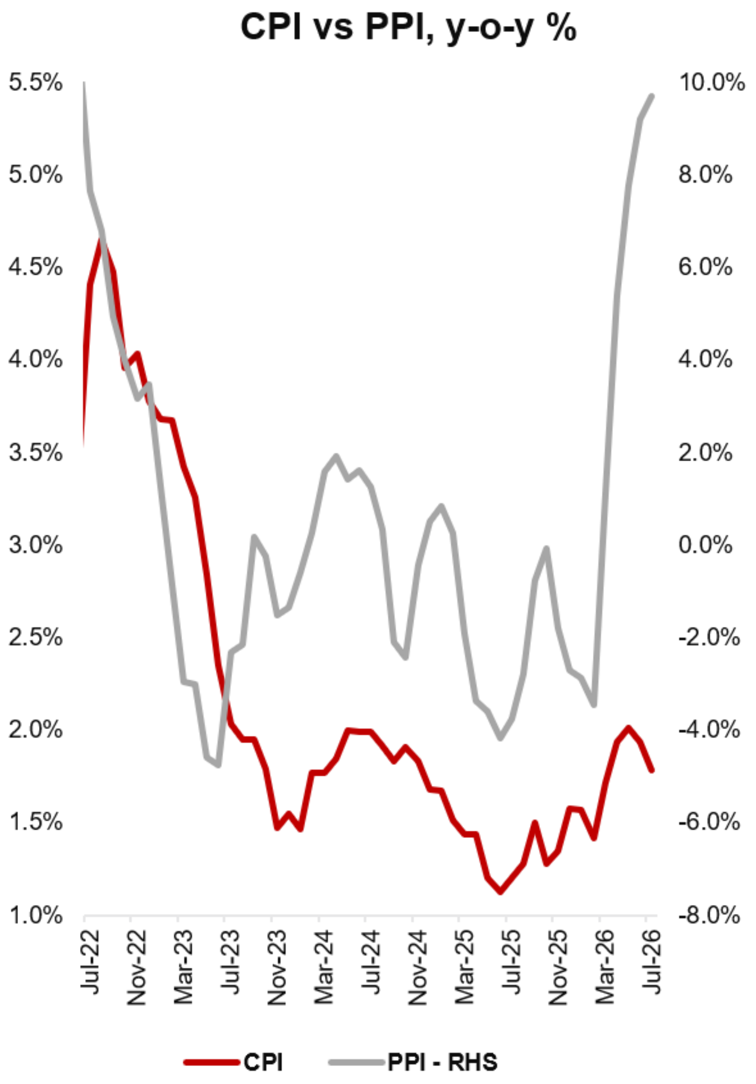
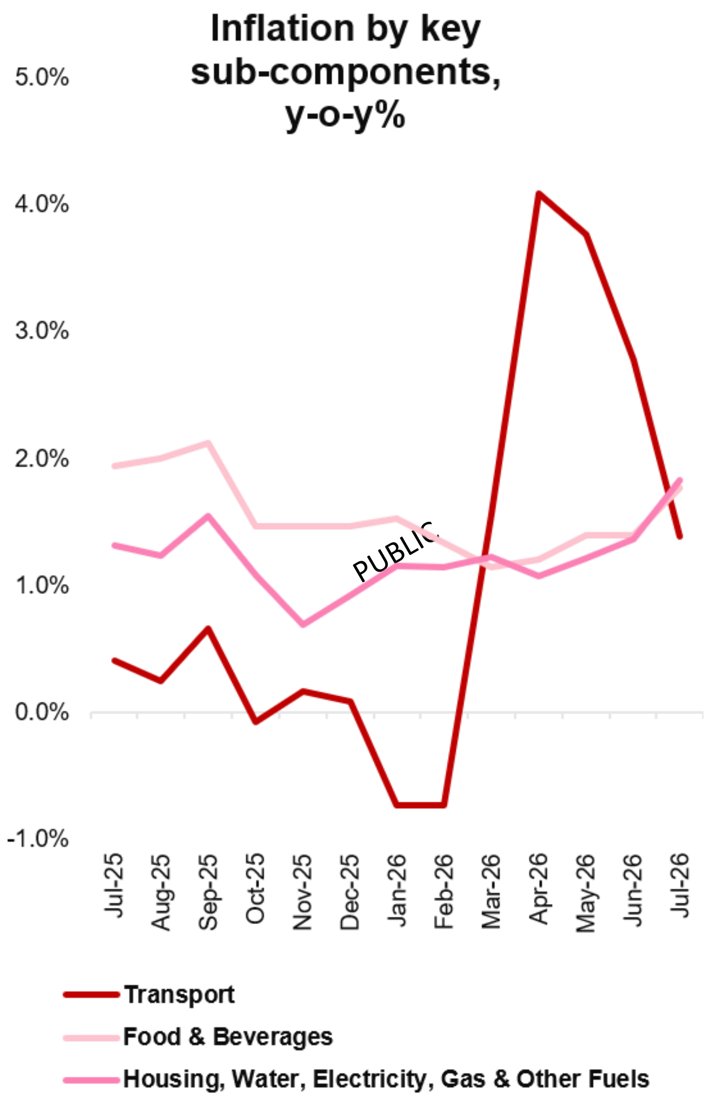
Top 10 Export Products	Share	Jul-25	Aug-25	Sep-25	Oct-25	Nov-25	Dec-25	Jan-26	Feb-26	Mar-26	Apr-26	May-26	Jun-26	Jul-26
Total Exports	**100.0**	6.6	1.7	12.6	15.8	7.1	10.6	19.5	10.7	8.0	37.3	44.7	45.5	38.0
Electrical & Electronic Products	49.4%	22.5	10.1	19.5	26.5	15.0	25.8	39.5	28.5	15.1	46.6	70.0	57.0	51.0
Petroleum Products	5.3%	-27.2	-17.6	11.6	-8.1	1.5	-18.9	-16.7	-23.5	23.5	70.2	76.4	55.6	26.9
Machinery, Equipment & Parts	5.0%	15.6	12.1	14.1	17.2	5.1	11.0	12.7	-0.2	2.1	26.5	15.4	18.4	41.6
Optical & Scientific Equipment	3.9%	8.9	14.7	16.7	31.6	33.7	20.6	36.4	42.9	29.3	49.5	45.0	42.8	36.2
Palm Oil & Palm Oil Based Agriculture Products	3.7%	-12.0	9.7	8.6	23.8	-9.3	-8.4	-2.1	-12.8	-6.1	3.6	-24.6	-10.8	7.8
Manufactures of Metal	3.6%	1.0	-5.7	2.4	23.8	8.4	2.8	5.4	-7.0	21.2	42.7	8.8	48.6	23.2
Chemicals & Chemical Products	3.0%	-9.2	-18.2	-16.6	-9.9	-14.8	-6.4	-7.8	-16.7	-20.1	25.1	1.8	6.6	1.5
Palm Oil	2.9%	-16.3	3.3	-1.3	23.1	-15.0	-12.7	-1.4	-16.5	-8.3	1.2	-29.4	-18.3	7.8
LNG	2.6%	-6.6	-3.6	-11.6	-17.0	-11.8	-24.2	-5.5	-27.8	-17.4	6.8	107.9	83.3	14.1
Palm Oil Based Manufactured Products	2.4%	16.8	7.8	27.4	24.4	17.7	9.9	-4.5	-3.4	-5.2	19.1	15.9	20.2	24.0

Positive
Neutral
Negative

Sources: DOSM, CEIC Data, Bank Islam

INFLATION EASED, BUT UPSTREAM COST PRESSURES REMAIN ELEVATED





- Headline CPI eased to 1.8% y-o-y in July (Jun: 1.9%), driven mainly by softer transport inflation at 1.4% (Jun: 2.8%) amid lower fuel price pressures. Inflation also moderated across personal care, restaurants and accommodation, education, and healthcare, offsetting slightly higher food and housing inflation. On a monthly basis, prices were unchanged, indicating stable consumer price pressures.
- Core inflation edged lower to 1.8% (Jun: 1.9%), suggesting underlying price pressures remain well contained. The broad-based moderation supports our view that inflation remains largely driven by supply-side factors rather than demand pressures, providing room for BNM to maintain the OPR at 2.75%.
- In contrast, PPI accelerated to 9.2% y-o-y in June (May: 7.8%), marking the strongest increase since June 2022. Rising producer prices reflect persistent supply-side cost pressures amid ongoing geopolitical tensions and supply chain disruptions.
- While consumer inflation remains subdued, upstream cost pressures continue to build, pointing to potential pass-through risks in the coming months.
- We have revised our 2026 headline inflation forecast lower to 2.0% (previously 2.5%) following the recent moderation in CPI. Nevertheless, risks remain skewed to the upside due to elevated producer prices, volatile energy costs, subsidy rationalisation, and potential supply disruptions arising from geopolitical tensions.
- Government price controls and fuel subsidies should continue to cushion the impact on consumers.

Sources: DOSM, CEIC Data, Bank Islam

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HEATMAP OF CPI

Component	Weight	Jul-25	Aug-25	Sep-25	Oct-25	Nov-25	Dec-25	Jan-26	Feb-26	Mar-26	Apr-26	May-26	Jun-26	Jul-26
Headline CPI	100.0	1.2	1.3	1.5	1.3	1.4	1.6	1.6	1.4	1.7	1.9	2.0	1.9	1.8
Food & Beverages	29.8	1.9	2.0	2.1	1.5	1.5	1.5	1.5	1.3	1.1	1.2	1.4	1.4	1.8
Alcoholic Beverages & Tobacco	1.9	0.6	0.4	0.3	0.3	2.4	2.5	2.5	2.6	2.7	2.8	2.8	2.8	2.7
Clothing & Footwear	2.7	-0.2	-0.1	-0.2	-0.3	-0.1	0.1	0.0	0.0	-0.1	-0.1	-0.1	0.0	0.1
Housing, Water, Electricity, Gas & Other Fuels	23.2	1.3	1.2	1.5	1.1	0.7	0.9	1.2	1.1	1.2	1.1	1.2	1.4	1.8
Furnishings, Household Equipment & Maintenance	4.3	0.1	0.2	0.2	0.3	0.2	0.3	0.2	0.2	0.1	0.4	0.4	0.4	0.3
Health	2.7	1.2	1.1	1.3	1.5	1.5	1.5	1.4	1.2	1.4	1.4	1.2	1.2	1.1
Transport	11.3	0.4	0.2	0.7	-0.1	0.2	0.1	-0.7	-0.7	1.6	4.1	3.8	2.8	1.4
Information & Communication	6.6	-6.4	-5.6	-4.5	-2.4	-1.3	0.9	0.7	0.5	1.4	2.0	2.1	2.4	3.4
Recreation, Sport and Culture	3.0	0.8	0.9	0.9	1.2	1.2	0.8	0.9	0.8	1.0	0.9	1.1	1.1	1.2
Education	1.3	2.2	2.4	2.4	2.4	2.6	2.8	3.2	2.8	2.5	2.4	2.2	2.1	2.0
Restaurants & Accommodation Services	3.4	3.1	3.5	3.3	3.4	3.4	3.1	3.0	2.5	2.6	2.6	2.5	2.6	2.0
Insurance & Financial Services	4.0	5.5	5.6	5.6	5.6	5.6	5.6	5.5	4.7	4.9	4.9	4.9	5.7	1.1
Personal Care, Social Protection & Misc. Goods & Services	5.8	3.9	4.0	4.8	6.0	5.6	5.7	6.6	6.9	7.0	4.8	4.8	3.4	2.9
Non-Food	70.2	0.8	0.9	1.1	1.1	1.2	1.6	1.6	1.5	2.1	2.3	2.3	2.2	1.8

Positive
Neutral
Negative

Sources: DOSM, CEIC Data, Bank Islam

HEATMAP OF PPI

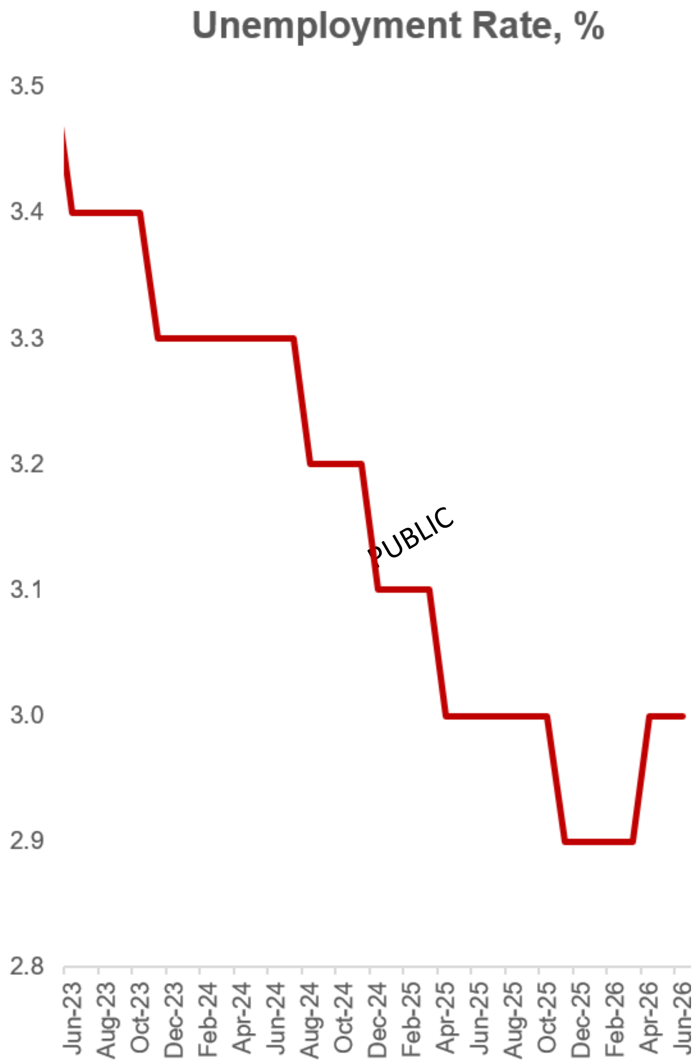
BANK ISLAM

Component/Sub-component	Weight	Jul-25	Aug-25	Sep-25	Oct-25	Nov-25	Dec-25	Jan-26	Feb-26	Mar-26	Apr-26	May-26	Jun-26	Jul-26
Producer Price Index	**100.0**	-3.8	-2.8	-0.8	-0.1	-1.8	-2.7	-2.9	-3.4	1.1	5.4	7.8	9.2	9.7
Local Production By Sector														
Agriculture	**6.7**	1.1	7.3	7.8	2.7	-9.7	-12.1	-8.3	-8.7	-5.6	2.7	8.9	9.1	7.2
Mining	**7.9**	-8.7	-3.4	1.1	-1.0	-7.2	-8.8	-11.7	-8.5	26.5	53.4	52.6	29.0	30.5
Manufacturing	**81.6**	-4.0	-4.0	-2.1	-0.6	-0.6	-1.3	-1.7	-2.7	-0.8	1.1	3.5	7.2	8.2
Electricity & Gas	**3.4**	4.0	4.1	4.6	4.3	4.1	4.1	4.9	4.7	9.6	10.6	10.0	10.2	6.7
Water Supply	**0.3**	-0.1	3.4	9.1	10.8	10.1	10.9	10.2	11.9	11.3	10.8	11.2	12.7	10.2
Local Production By Stage of Processing														
Crude Materials for Further Processing	**16.4**	-5.8	-0.8	2.4	1.2	-6.2	-8.3	-7.5	-7.0	9.8	26.1	31.5	25.0	24.1
Foodstuffs and Feedstuffs	3.2	0.1	1.1	3.0	3.7	4.7	4.3	4.5	4.4	5.5	4.3	4.3	4.9	7.5
Non-food Materials	13.2	-7.0	-1.1	2.3	0.6	-8.4	-11.0	-10.0	-9.5	10.7	31.2	38.1	29.8	27.9
Intermediate Materials Supplies and Components	**56.1**	-3.7	-3.1	-1.2	-0.2	-1.1	-1.6	-2.3	-3.1	-1.3	0.8	3.0	7.4	8.4
Materials and Components for Manufacturing	29.6	-2.6	-2.1	-1.2	0.1	-0.7	-2.1	-3.5	-4.2	-2.5	-0.5	1.6	4.5	5.7
Materials and Components for Construction	2.9	0.8	2.0	3.8	4.6	4.7	4.7	5.8	5.9	5.9	5.9	5.3	5.4	4.5
Processed Fuels and Lubricants	11.9	-9.3	-8.6	-3.9	-3.7	-7.5	-6.7	-6.3	-9.3	-4.8	-0.7	3.7	13.9	13.8
Containers	0.6	0.3	-1.3	1.1	3.5	4.2	4.5	3.0	2.1	2.3	2.4	3.6	4.5	5.3
Supplies	11.2	-2.8	-2.2	-0.4	1.3	2.5	2.7	2.7	2.8	3.5	4.4	5.7	9.7	11.7
Finished Goods	**27.5**	-2.4	-3.4	-1.8	-1.0	-0.2	-0.7	-0.6	-1.1	-0.1	0.7	1.7	2.0	2.5
Finished Consumer Foods	3.5	0.6	0.8	1.4	2.1	1.4	0.7	0.5	0.5	0.7	-0.1	0.9	1.5	1.1
Finished Consumer Goods Excluding Foods	8.0	-0.8	-1.0	-1.5	-1.0	-1.0	-1.0	-0.4	0.3	0.6	0.7	1.3	2.1	1.8
Capital Equipment	16.0	-3.9	-5.6	-2.8	-1.8	-0.1	-1.1	-0.9	-2.3	-0.6	0.8	2.1	2.0	3.4

Positive
Neutral
Negative

Sources: DOSM, CEIC Data, Bank Islam

LABOUR MARKET REMAINS RESILIENT, BUT HIRING MOMENTUM IS TURNING MORE CAUTIOUS



- Malaysia's labor market remained resilient despite external headwinds, with the unemployment rate unchanged at 3.0% in June, consistent with full-employment conditions.
- Nevertheless, early signs of softening have begun to emerge. Employment contracted for the first time since February 2026, declining by 0.5% y-o-y (May: +1.1%), while the labor force also shrank by 0.5% y-o-y (May: +1.0%). In line with this, the number of unemployed persons increased to 518K, the highest level in six months.
- Employment growth continued to be driven by the services sector, particularly accommodation and food services activities. At the same time, job vacancies expanded across several industries, notably manufacturing, construction and agriculture, indicating that labor demand remained relatively broad-based despite signs of moderation in overall employment growth.
- Businesses appear willing to retain workers but are becoming more selective in expanding their workforce amid uncertainty surrounding global demand and rising operating costs. This is consistent with the latest business tendency survey by DOSM, where 78.3% of companies expect to maintain their existing staff headcount rather than increase their workforce.
- Labor market conditions are expected to remain stable, although employment growth may moderate amid global uncertainties. Higher energy costs, trade-related risks and potential supply chain disruptions could weigh on hiring. Nevertheless, resilient domestic demand and ongoing investments in manufacturing, data centers, infrastructure and export-oriented industries should continue to support job creation.

Sources: DOSM, CEIC Data, Bank Islam

LEADING INDEX SIGNALS CONTINUED ECONOMIC EXPANSION DESPITE CAUTIOUS BUSINESS SENTIMENT

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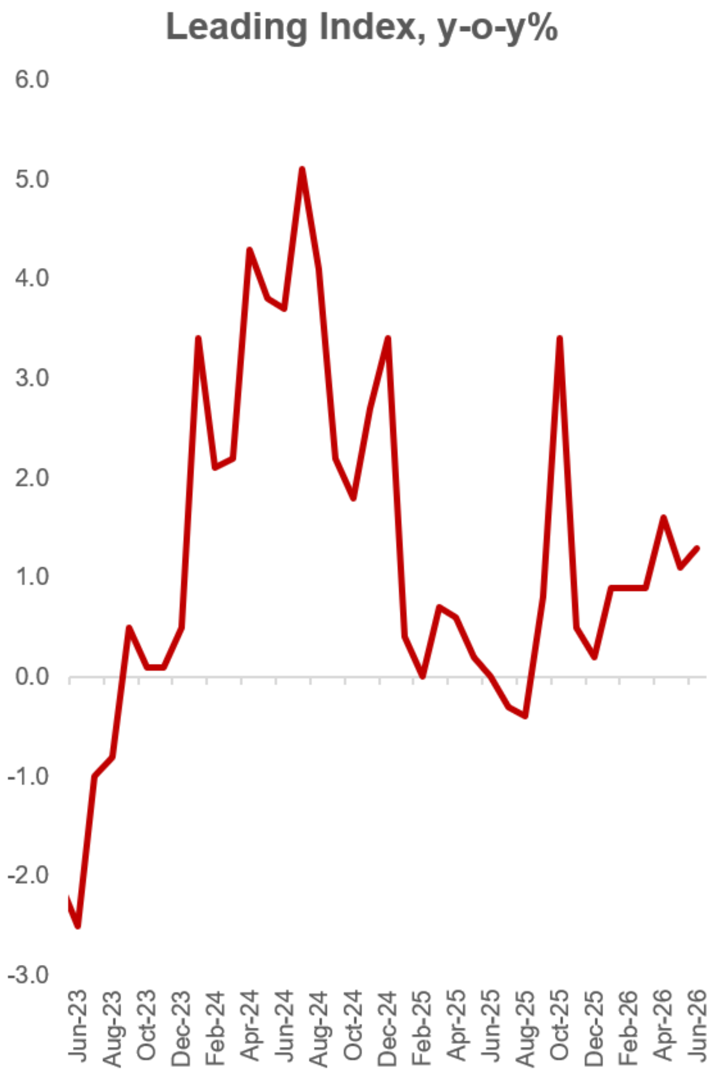

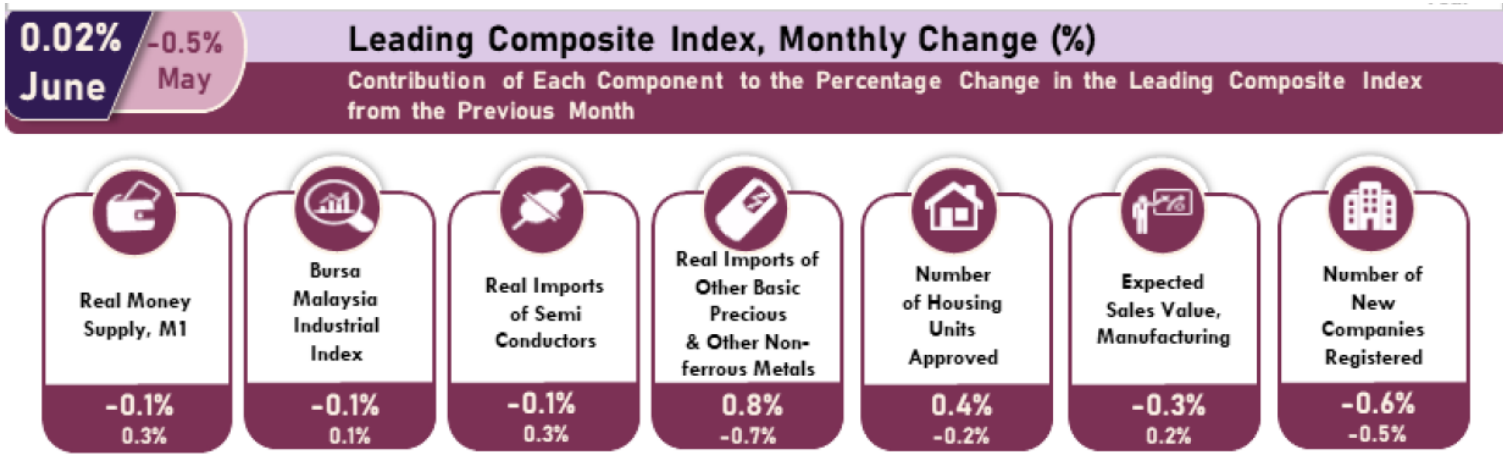

- Malaysia's Leading Index (LI) continued to signal positive growth prospects, rising by 1.3% y-o-y in June 2026 to 114.8 points. The expansion was primarily driven by strong growth in Real Imports of Other Basic Precious & Other Non-Ferrous Metals (35.1%) and sustained gains in Real Imports of Semiconductors (14.2%), reflecting continued strength in trade-related activities and resilient demand for E&E products.

- The positive performance suggests that external demand conditions remain supportive, particularly for Malaysia's export-oriented manufacturing sector. The sustained increase in semiconductor imports also points to ongoing production activity within the E&E supply chain, which should continue to support industrial output and exports in the near term.

- Nevertheless, the improvement in the LI was partly offset by weakness in several components, most notably the Number of New Companies Registered. This may indicate a degree of caution among businesses amid uncertainties surrounding the global economic outlook and evolving trade conditions.

- On a month-on-month basis, the LI edged up by 0.02%, after falling by 0.5% in May. While the pace of growth was modest, the continued positive reading suggests that economic activity is likely to remain on an expansionary path in the coming months, supported by resilient external demand and ongoing investment activity.

Sources: DOSM, CEIC Data, Bank Islam

THANK YOU