BANK ISLAM

MALAYSIA: MONTHLY ECONOMIC UPDATE

3 AUGUST 2026

ECONOMIC RESEARCH

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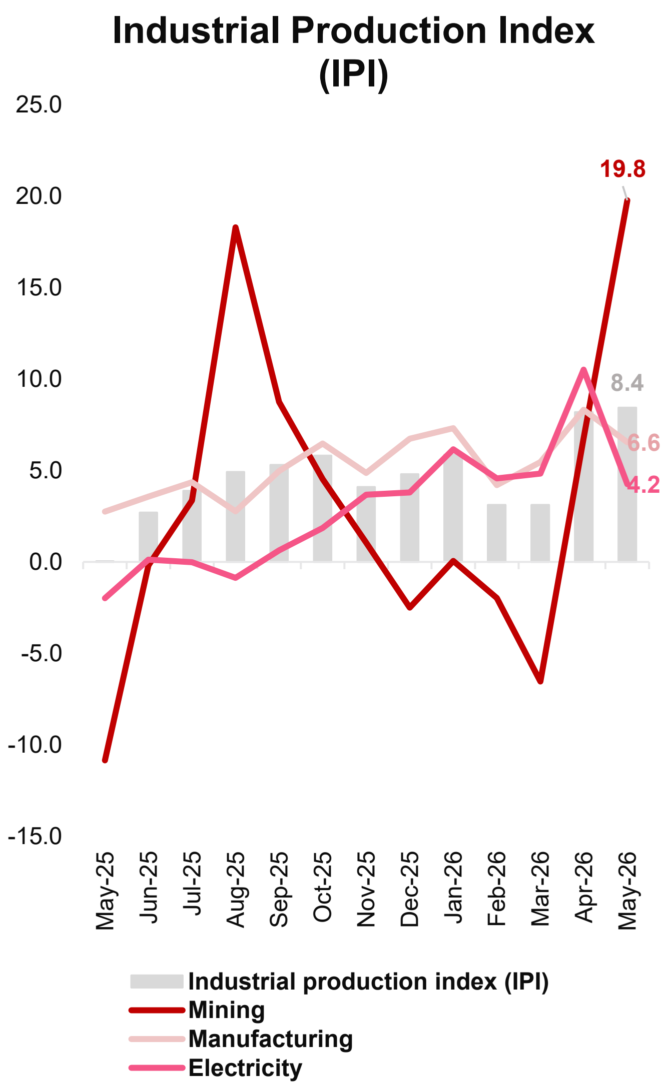
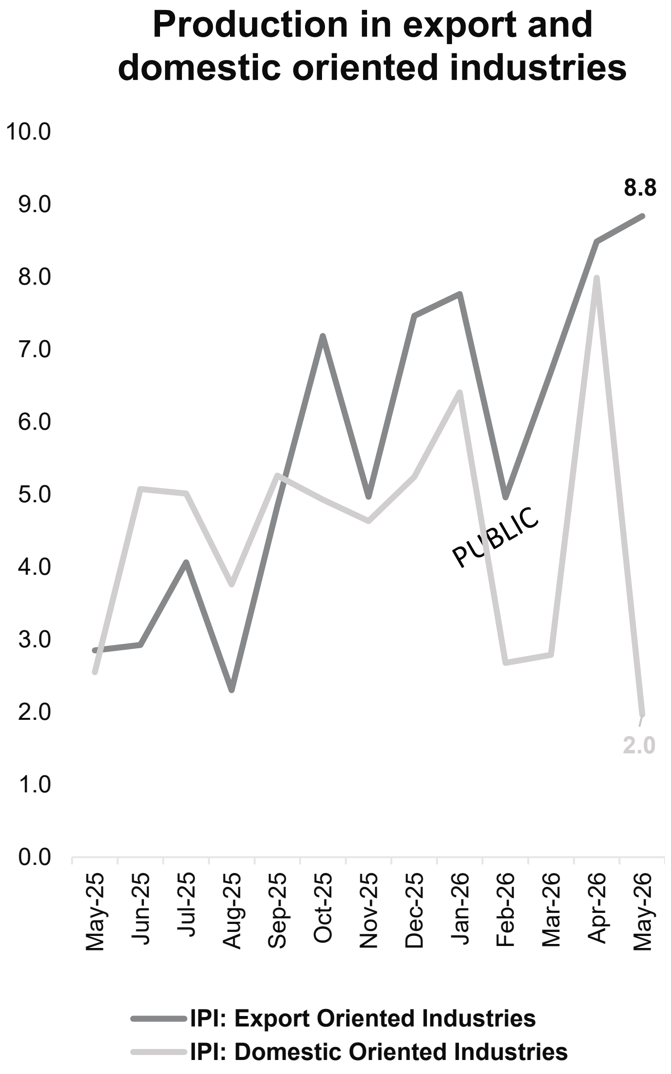
INDUSTRIAL PRODUCTION HITS 45-MONTH HIGH ON STRONG MINING AND EXPORT-ORIENTED ACTIVITIES





- Malaysia's Industrial Production Index (IPI) accelerated to 8.4% y-o-y in May 2026, marking its strongest expansion in 45 months. The improvement was driven primarily by a sharp rebound in mining output, which surged to 19.8% (Apr: 6.8%), while manufacturing and electricity production continued to expand, albeit at a more moderate pace of 6.6% (Apr: 8.3%) and 4.2% (Apr: 10.5%), respectively.
- The surge in mining output was largely attributed to stronger natural gas production, which expanded by 37.4% (Apr: 16.6%). The sharp increase was partly supported by a low base from the same period last year, as well as production normalisation and improved operating rates at gas facilities. In addition, sustained regional LNG demand and concerns over energy supply disruptions stemming from geopolitical tensions in the Middle East may have encouraged producers to ramp up output.
- Within manufacturing, the electrical and electronics (E&E) segment remained a key growth driver, with production accelerating to 14.4% (Apr: 12.8%). The continued strength reflects robust global semiconductor demand, particularly from the ongoing artificial intelligence (AI) investment cycle and data centre expansion.
- Export-oriented industries continued to outperform, registering growth of 8.8% (Apr: 8.5%), supported by stronger external demand and manufactured exports. In contrast, domestic-oriented industries moderated sharply to 2.0% (Apr: 8.0%), indicating that Malaysia's industrial performance was increasingly reliant on external demand rather than domestic activity.
- IPI is expected to remain resilient in the coming months, supported by sustained demand for E&E products and improving mining output. Nevertheless, growth may moderate from current highs as the favourable base effects in the mining sector gradually fade.

Sources: DOSM, CEIC Data, Bank Islam

HEATMAP OF SECTORAL PRODUCTION

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Component/Sub-component	Weight	May-25	Jun-25	Jul-25	Aug-25	Sep-25	Oct-25	Nov-25	Dec-25	Jan-26	Feb-26	Mar-26	Apr-26	May-26
Industrial Production Index (IPI)	**100.0**	**0.0**	**2.7**	**3.9**	**4.9**	**5.3**	**5.8**	**4.1**	**4.8**	**5.9**	**3.1**	**3.1**	**8.2**	**8.4**
Mining	25.1	-10.9	-0.2	3.4	18.3	8.7	4.5	1.1	-2.5	0.1	-2.0	-6.5	6.8	19.8
Electricity	6.6	-2.0	0.1	0.0	-0.9	0.6	1.9	3.7	3.8	6.2	4.6	4.8	10.5	4.2
Manufacturing	68.3	2.8	3.6	4.4	2.8	5.0	6.5	4.9	6.7	7.3	4.2	5.5	8.3	6.6
Food, Beverages & Tobacco	*8.6*	*11.1*	*9.8*	*8.1*	*3.4*	*8.7*	*10.6*	*8.0*	*11.2*	*12.2*	*5.7*	*9.1*	*8.9*	*4.1*
Textiles, Wearing Apparel, Leather & Footwear	*1.3*	*-0.4*	*-2.1*	*-1.0*	*-1.0*	*1.5*	*1.5*	*1.0*	*2.4*	*2.7*	*-1.8*	*1.1*	*3.4*	*-0.4*
Wood Products, Furniture, Paper Products, Printing	*4.6*	*3.9*	*2.4*	*3.8*	*3.4*	*3.9*	*4.9*	*2.9*	*1.7*	*5.7*	*2.6*	*3.0*	*5.5*	*3.8*
Petroleum, Chemical, Rubber & Plastic Products	*20.6*	*-2.2*	*-1.5*	*-0.6*	*-1.1*	*-0.6*	*-0.3*	*-1.8*	*0.3*	*-1.8*	*-2.1*	*0.1*	*3.8*	*3.4*
Non-Metallic Mineral, Basic Metal & Fabricated Metal Prod	*9.1*	*3.5*	*3.3*	*3.9*	*3.6*	*3.0*	*4.8*	*3.7*	*5.6*	*7.0*	*3.5*	*3.7*	*6.5*	*4.9*
Electrical & Electronic Products	*18.2*	*5.6*	*6.4*	*8.5*	*6.6*	*9.1*	*13.4*	*10.8*	*12.8*	*15.2*	*12.9*	*12.5*	*12.8*	*14.4*
Transport Equipment & Other Manufactures	*5.9*	*-5.4*	*3.2*	*2.2*	*-1.7*	*4.6*	*0.1*	*2.4*	*3.5*	*3.8*	*-3.5*	*-2.9*	*10.7*	*-4.8*
Export Oriented Industries	*45.8*	*2.9*	*2.9*	*4.1*	*2.3*	*4.8*	*7.2*	*5.0*	*7.5*	*7.8*	*5.0*	*6.7*	*8.5*	*8.8*
Domestic Oriented Industries	*22.4*	*2.6*	*5.1*	*5.0*	*3.8*	*5.3*	*4.9*	*4.6*	*5.2*	*6.4*	*2.7*	*2.8*	*8.0*	*2.0*

Positive
Neutral
Negative

Sources: DOSM, CEIC Data, Bank Islam

ECONOMIC RESEARCH

RETAIL TRADE STRENGTHENS, SUPPORTING PRIVATE CONSUMPTION OUTLOOK

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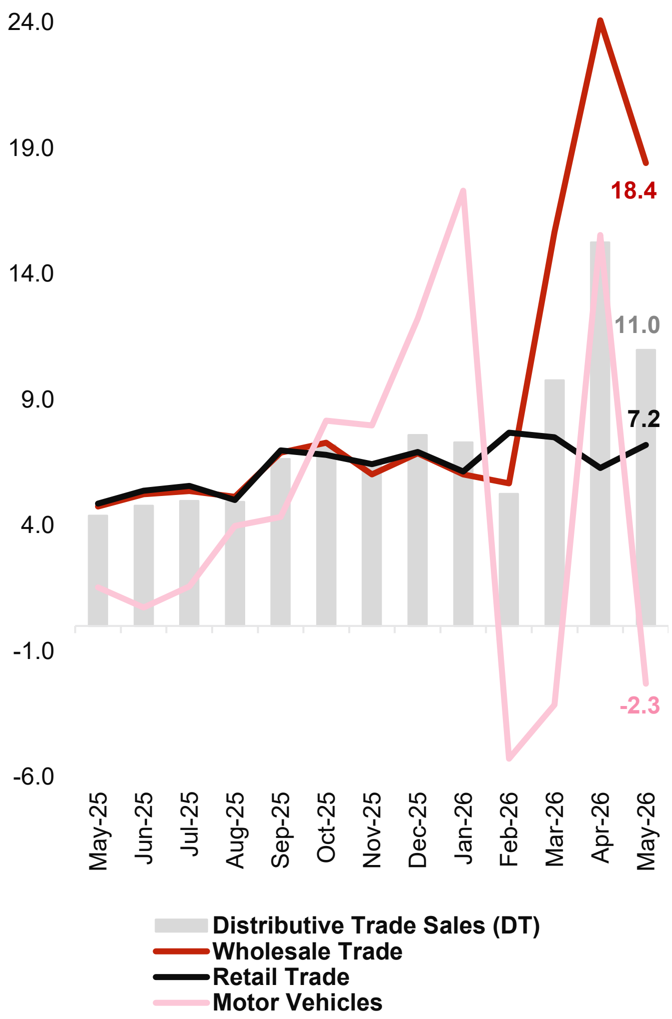
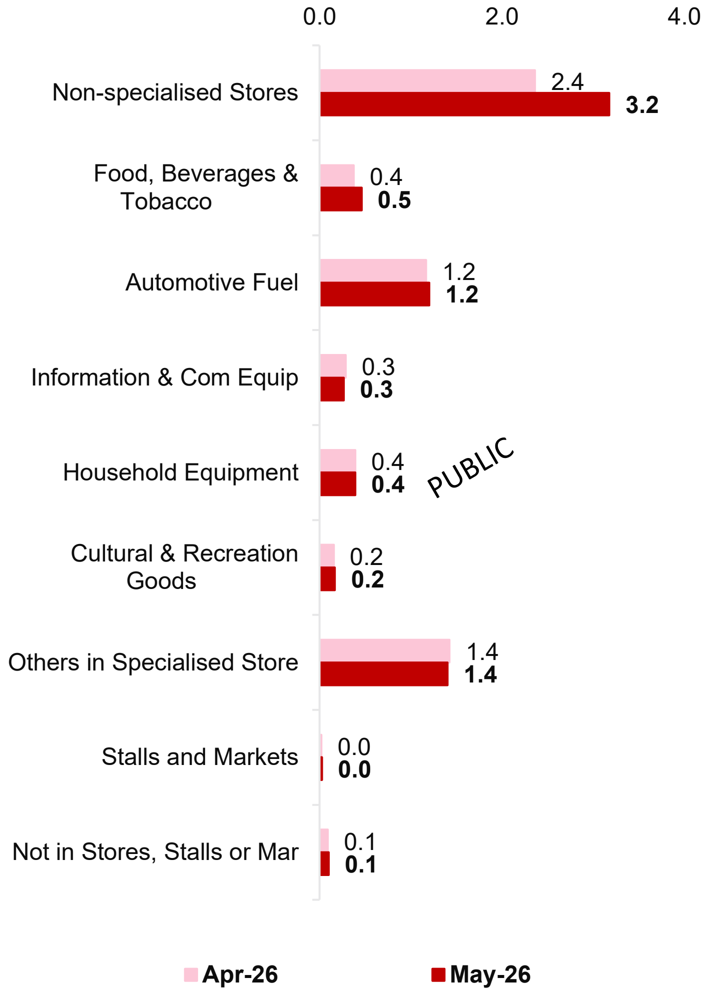
Distributive Trade Sales



Retail Sale by Segments



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- Malaysia's distributive trade sector maintained double-digit growth of 11.0% y-o-y in May 2026, although moderating from 15.3% in April. The slowdown was primarily driven by the motor vehicles segment, which contracted by 2.3% following a strong expansion of 15.5% in the previous month. Wholesale trade also eased but growth remained robust at 18.4% (Apr: 24.1%).
- In contrast, retail trade accelerated to 7.2% (Apr: 6.3%), signalling resilient consumer spending despite heightened global uncertainties. Continued government price control measures and targeted subsidies likely helped contain cost-of-living pressures, supporting household purchasing power and consumption activities.
- By segment, retail sales in non-specialised stores remained a key contributor, accounting for 3.2 percentage points (ppt) of overall retail trade growth, up from 2.4 ppt in April. The stronger performance reflects sustained spending on essential consumer goods and daily necessities.
- The resilience in retail activity points to stronger private consumption growth in 2Q26. Given that private consumption accounts for more than 60% of Malaysia's total GDP, the improvement in retail sales is likely to have provided a meaningful boost to overall economic growth during the quarter.
- The strong performance in distributive trade is consistent with DOSM's advance estimate showing Malaysia's economy expanded by 5.8% in 2Q26, accelerating from 5.4% in 1Q26. Growth was driven by the services sector, particularly wholesale and retail trade, alongside stronger manufacturing and mining activities.

Sources: DOSM, CEIC Data, Bank Islam

HEATMAP OF DISTRIBUTIVE TRADE

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Component/Sub-component	Share	May-25	Jun-25	Jul-25	Aug-25	Sep-25	Oct-25	Nov-25	Dec-25	Jan-26	Feb-26	Mar-26	Apr-26	May-26
Distributive Trade Sales	**100.0**	4.4	4.8	5.0	4.9	6.6	7.2	6.4	7.6	7.3	5.3	9.8	15.3	11.0
Motor Vehicles	10.9%	1.5	0.7	1.6	4.0	4.3	8.2	8.0	12.2	17.3	-5.3	-3.1	15.5	-2.3
Wholesale Trade	47.1%	4.7	5.2	5.4	5.1	6.9	7.3	6.0	6.9	6.0	5.7	15.7	24.1	18.4
Retail Trade	42.0%	4.9	5.4	5.6	5.0	7.0	6.8	6.4	6.9	6.1	7.7	7.5	6.3	7.2
Non-specialised Stores	*16.4%*	4.0	5.7	5.5	5.6	9.9	9.1	8.7	9.3	7.9	10.4	8.1	6.1	8.2
Food, Beverages & Tobacco	*2.7%*	6.4	6.5	6.1	5.5	6.2	6.9	6.3	6.5	5.6	7.7	7.9	5.8	7.2
Automotive Fuel	*4.1%*	5.7	6.0	6.6	5.3	7.0	7.2	6.7	7.4	7.0	6.2	10.6	12.5	12.8
Information & Com Equip	*3.1%*	5.3	4.1	3.3	3.1	4.2	6.5	4.9	5.9	3.9	4.1	5.9	3.7	3.5
Household Equipment	*4.7%*	5.6	3.8	3.6	2.6	2.5	2.8	3.0	3.1	3.3	4.3	4.1	3.5	3.4
Cultural & Recreation Goods	*1.7%*	3.8	3.4	3.0	3.1	4.6	4.3	4.1	3.9	4.2	3.0	2.7	3.8	4.1
Others in Specialised Store	*8.8%*	5.2	5.9	7.6	6.0	5.8	5.2	5.1	5.6	5.4	7.4	8.2	6.8	6.7
Stalls and Markets	*0.1%*	6.7	5.8	5.5	5.2	5.3	5.5	5.3	5.9	6.2	8.9	9.3	6.4	8.1
Not in Stores, Stalls or Mar	*0.4%*	4.1	5.4	5.1	5.0	9.2	8.6	7.2	9.1	9.0	8.2	8.5	8.8	9.8

Positive
Neutral
Negative

Sources: DOSM, CEIC Data, Bank Islam

ROBUST EXTERNAL TRADE SUPPORTED BY MINING REBOUND, E&E STRENGTH AND RISING INVESTMENT

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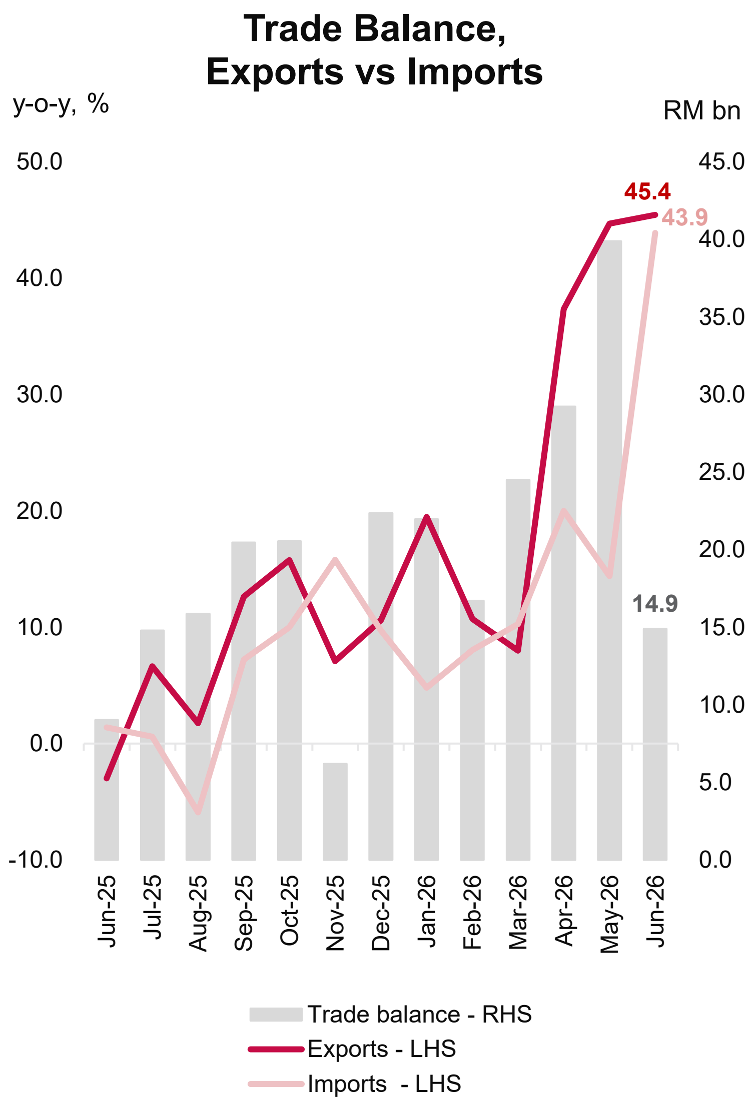

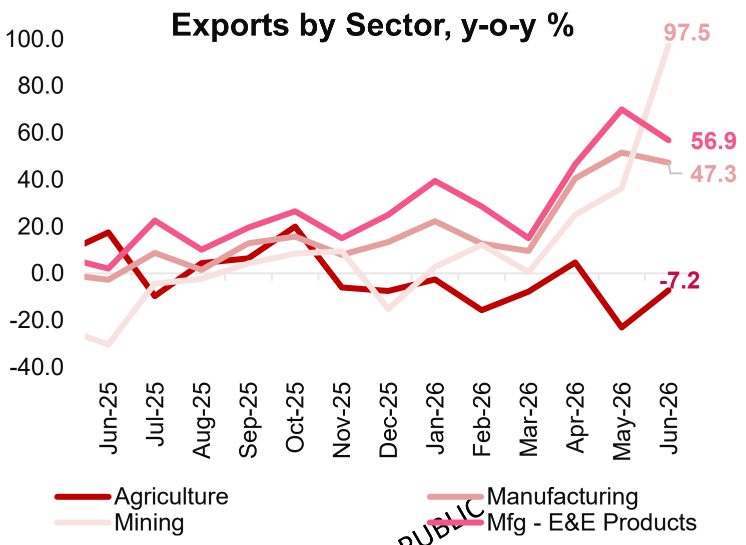

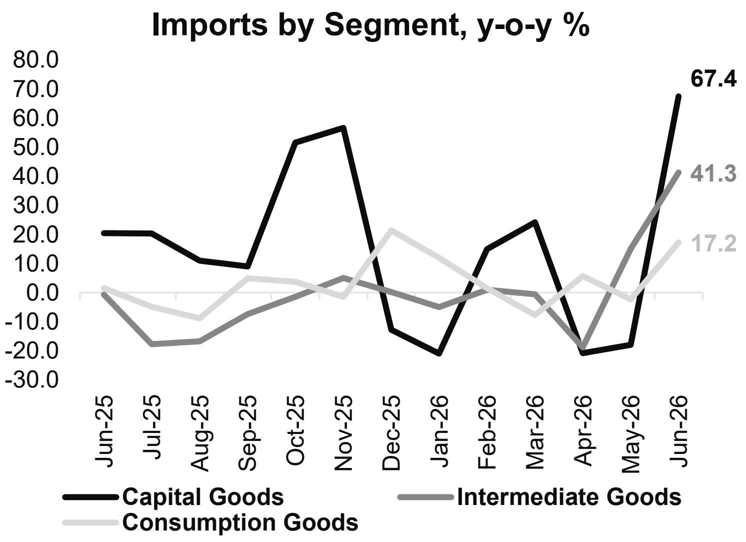

- Malaysia's exports remained robust in June 2026, accelerating to 45.4% y-o-y from 44.7% in May. The strong performance was driven by manufacturing exports, which grew by 47.3% (May: 51.6%), alongside a sharp increase in mining exports of 97.5% (May: 36.4%), partly supported by a low base effect and stronger demand on LNG (83.3%) and crude petroleum (112.4%). Meanwhile, agricultural exports continued to contract but moderating to 7.2% (May: -23.0%)
- Demand for E&E products remained strong, with exports rising by 56.9% (May: 70.0%), reflecting continued strength in global semiconductor demand and ongoing supply chain diversification strategies under the China+1 framework.
- Imports also accelerated sharply to 43.9% y-o-y in June (May:14.4%), driven by broad-based growth across all segments. Intermediate goods imports increased by 41.3% (May: 15.1%), while capital goods and consumption goods rebounded by 67.4% (May: -18.0%) and 17.2% (May: -2.3%), respectively.
- The strong growth in capital goods imports points to continued purchases of machinery, equipment and industrial assets, reflecting ongoing investment activities. The sharp increase in intermediate goods imports is consistent with the continued strength in manufacturing output and E&E production, indicating healthy production demand and a positive pipeline for future industrial activity. As intermediate goods imports are widely regarded as a leading indicator of future exports, the latest increase points to sustained export momentum in the coming months.
- Malaysia's trade balance remained in surplus at RM14.9 billion in June, although narrowing from the previous month due to a sharper increase in imports.

Sources: DOSM, CEIC Data, Bank Islam

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HEATMAP OF MAJOR EXPORT PRODUCTS

Top 10 Export Products	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
Total Exports	**100.0**	**-3.0**	**6.6**	**1.7**	**12.6**	**15.8**	**7.1**	**10.6**	**19.5**	**10.7**	**8.0**	**37.3**	**44.7**	**45.4**
Electrical & Electronic Products	48.0%	2.1	22.5	10.1	19.5	26.5	15.0	25.0	39.5	28.5	15.1	46.6	70.0	56.9
Petroleum Products	7.3%	-28.1	-27.2	-17.6	11.6	-8.1	1.5	-18.9	-16.7	-23.5	23.5	70.2	76.4	55.6
Machinery, Equipment & Parts	4.4%	15.5	15.6	12.1	14.1	17.2	5.1	11.0	12.7	-0.2	2.1	26.5	15.4	18.7
Optical & Scientific Equipment	4.1%	1.5	8.9	14.7	16.7	31.6	33.7	20.6	36.4	42.9	29.3	49.5	45.0	42.7
Manufactures of Metal	3.6%	-9.3	1.0	-5.7	2.4	23.8	8.4	2.8	5.4	-7.0	21.2	42.7	8.8	48.5
LNG	3.5%	-26.2	-7.2	-2.6	-13.2	-17.6	-12.5	-24.9	-5.2	-27.3	-17.5	4.8	111.5	83.3
Palm Oil & Palm Oil Based Agriculture Products	3.5%	24.7	-12.0	9.7	8.6	23.8	-9.3	-8.4	-2.1	-12.8	-6.1	3.6	-24.6	-10.8
Chemicals & Chemical Products	3.0%	-13.2	-11.1	-18.2	-16.6	-9.9	-14.8	-6.4	-7.8	-16.7	-20.1	25.1	1.8	6.6
Palm Oil Based Manufactured Products	2.0%	6.1	16.8	7.8	27.4	24.4	17.7	9.9	-4.5	-3.4	-5.2	19.1	15.9	20.2
Processed Food	1.4%	8.6	14.4	1.2	-1.4	-0.6	3.1	0.9	16.7	-14.9	-26.4	-5.3	-21.1	-18.4

Positive
Neutral
Negative

Sources: DOSM, CEIC Data, Bank Islam

INFLATION REMAINS CONTAINED DESPITE RISING PRODUCTION COST PRESSURES

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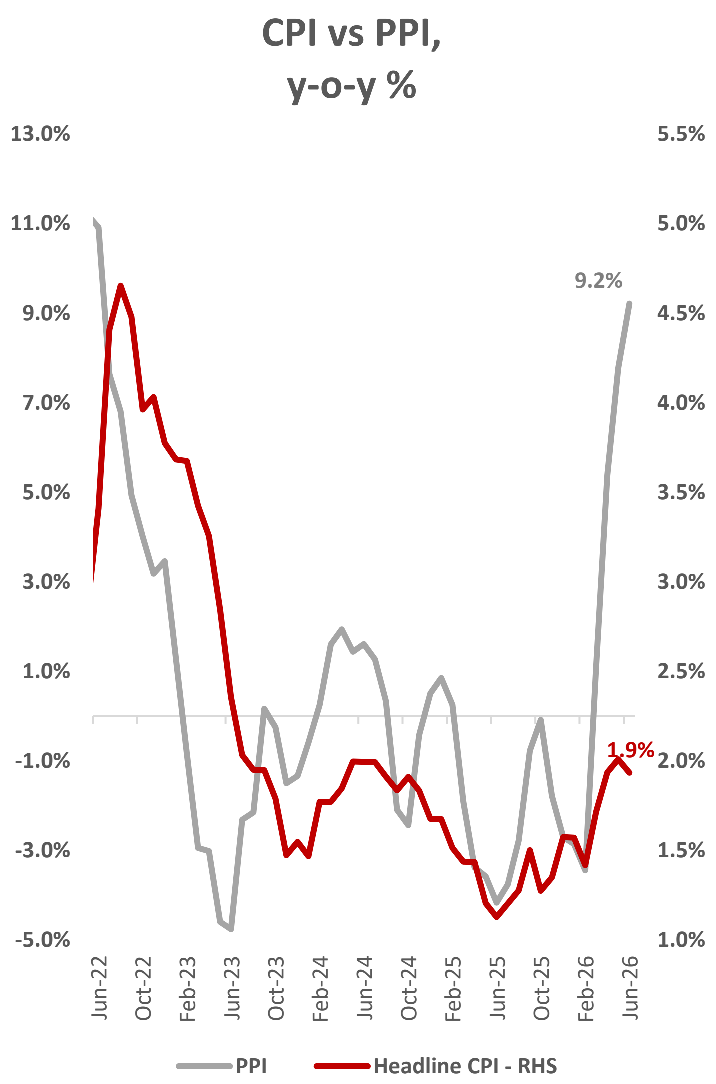

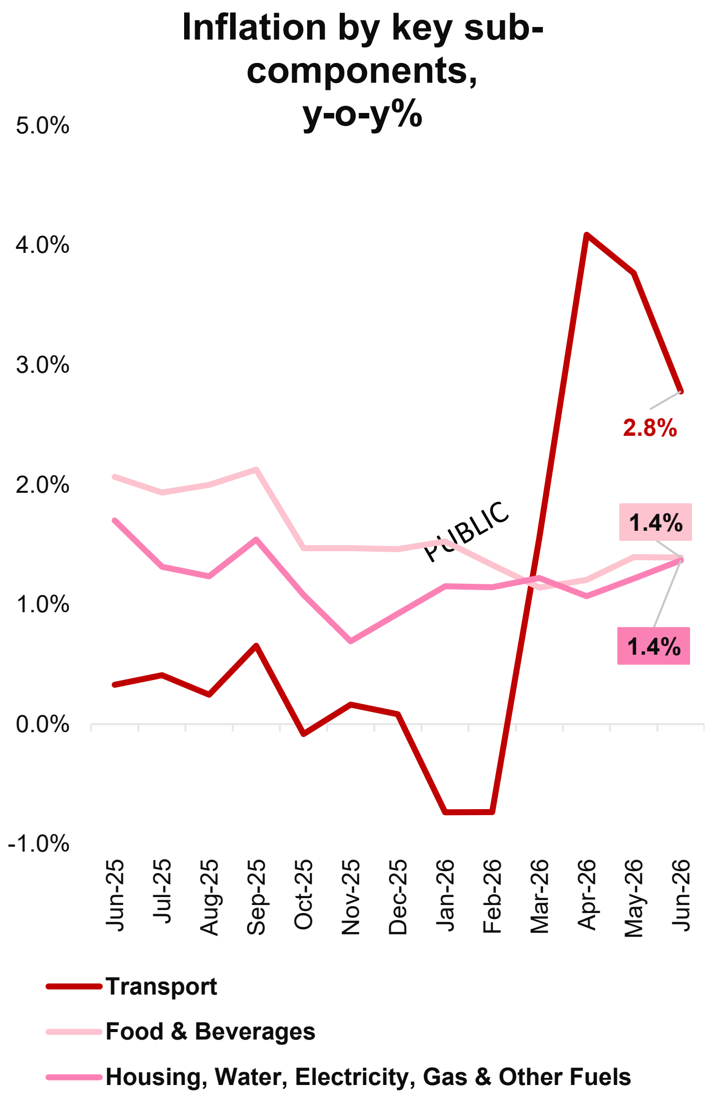

- Malaysia's headline inflation eased slightly to 1.9% y-o-y in June (May: 2.0%), breaking a four-month uptrend. The moderation was primarily driven by softer transport inflation (2.8%; May: 3.8%) amid lower fuel-related pressures and slower increases in public transport and private vehicle operating costs. The decline coincided with softer global oil prices in June following temporary easing in geopolitical tensions in the Middle East.
- In contrast, the Producer Price Index (PPI) recorded its highest growth in 48 months, accelerating to 9.2% y-o-y (May: 7.8%). The increase was broad-based across all major sectors (refer to page 10). By stage of processing, intermediate materials, supplies and components, which account for 56.1% of the overall PPI basket, rose sharply to 7.4% (May: 3.0%), indicating mounting cost pressures along the production chain.
- The rise in PPI reflects higher production costs faced by businesses, particularly from elevated energy prices, imported raw materials, transportation expenses and industrial inputs. Nevertheless, these producer-level cost increases have yet to be fully transmitted to consumers, as reflected by the relatively stable CPI. Government subsidies, fuel price caps and price controls on essential goods have helped absorb part of the cost burden, limiting the pass-through to retail prices.
- Furthermore, businesses may have absorbed a portion of rising input costs through narrower profit margins rather than immediately passing them on to consumers, particularly amid competitive market conditions and cautious consumer spending
- We maintain our 2026 inflation forecast at 2.5%, the upper end of Bank Negara Malaysia's projected range, reflecting the balance between persistent imported cost pressures and the mitigating effect of government intervention measures.

Sources: DOSM, CEIC Data, Bank Islam

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HEATMAP OF CPI

Component	Weight	May-25	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
Headline CPI	100.0	1.2	1.1	1.2	1.3	1.5	1.3	1.4	1.6	1.6	1.4	1.7	1.9	2.0	1.9
Food & Beverages	29.8	2.1	2.1	1.9	2.0	2.1	1.5	1.5	1.5	1.5	1.3	1.1	1.2	1.4	1.4
Alcoholic Beverages & Tobacco	1.9	0.6	0.6	0.6	0.4	0.3	0.3	2.4	2.5	2.5	2.6	2.7	2.8	2.8	2.8
Clothing & Footwear	2.7	-0.2	-0.3	-0.2	-0.1	-0.2	-0.3	-0.1	0.1	0.0	0.0	-0.1	-0.1	-0.1	0.0
Housing, Water, Electricity, Gas & Other Fuels	23.2	1.7	1.7	1.3	1.2	1.5	1.1	0.7	0.9	1.2	1.1	1.2	1.1	1.2	1.4
Furnishings, Household Equipment & Maintenance	4.3	0.2	0.1	0.1	0.2	0.2	0.3	0.2	0.3	0.2	0.2	0.1	0.4	0.4	0.4
Health	2.7	1.1	1.2	1.2	1.1	1.3	1.5	1.5	1.5	1.4	1.2	1.4	1.4	1.2	1.2
Transport	11.3	0.7	0.3	0.4	0.2	0.7	-0.1	0.2	0.1	-0.7	-0.7	1.6	4.1	3.8	2.8
Information & Communication	6.6	-5.2	-5.4	-6.4	-5.6	-4.5	-2.4	-1.3	0.9	0.7	0.5	1.4	2.0	2.1	2.4
Recreation, Sport and Culture	3.0	0.9	0.8	0.8	0.9	0.9	1.2	1.2	0.8	0.9	0.8	1.0	0.9	1.1	1.1
Education	1.3	2.2	2.2	2.2	2.4	2.4	2.4	2.6	2.8	3.2	2.8	2.5	2.4	2.2	2.1
Restaurants & Accommodation Services	3.4	3.0	2.8	3.1	3.5	3.3	3.4	3.4	3.1	3.0	2.5	2.6	2.6	2.5	2.6
Insurance & Financial Services	4.0	1.5	1.5	5.5	5.6	5.6	5.6	5.6	5.6	5.5	4.7	4.9	4.9	4.9	5.7
Personal Care, Social Protection & Misc. Goods & Services	5.8	3.7	4.2	3.9	4.0	4.8	6.0	5.6	5.7	6.6	6.9	7.0	4.8	4.8	3.4
Non-Food	70.2	0.7	0.6	0.8	0.9	1.1	1.1	1.2	1.6	1.6	1.5	2.1	2.3	2.3	2.2

Positive
Neutral
Negative

Sources: DOSM, CEIC Data, Bank Islam

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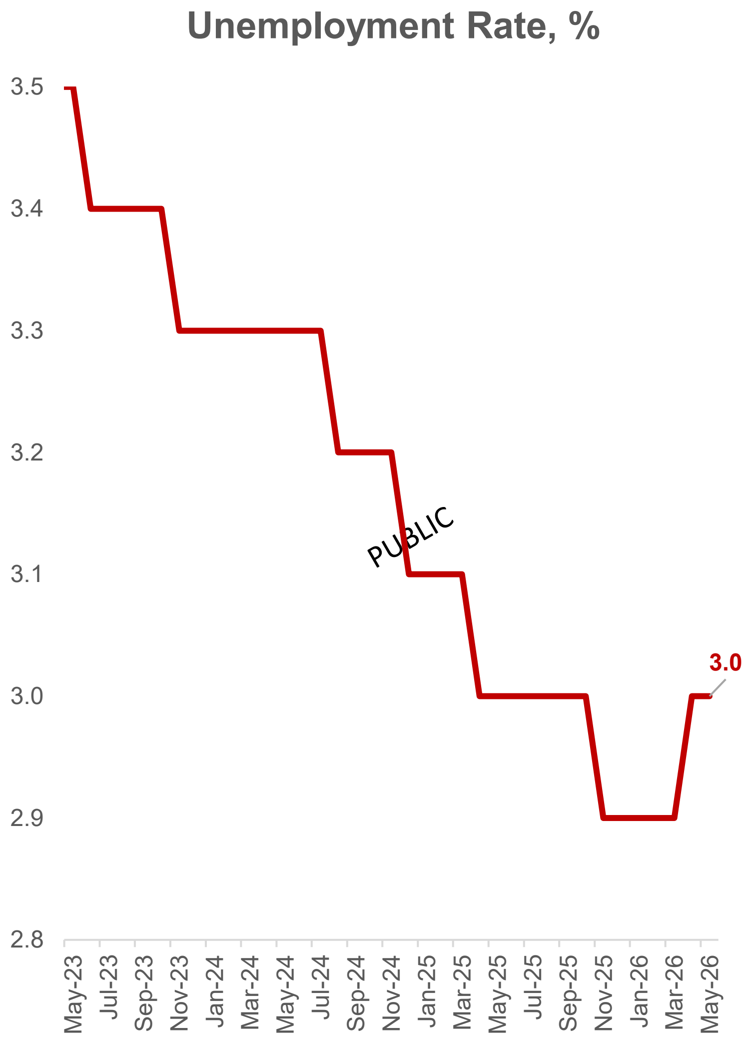
HEATMAP OF PPI

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

Positive
Neutral
Negative

Sources: DOSM, CEIC Data, Bank Islam

LABOUR MARKET REMAINS RESILIENT DESPITE MODERATING HIRING MOMENTUM

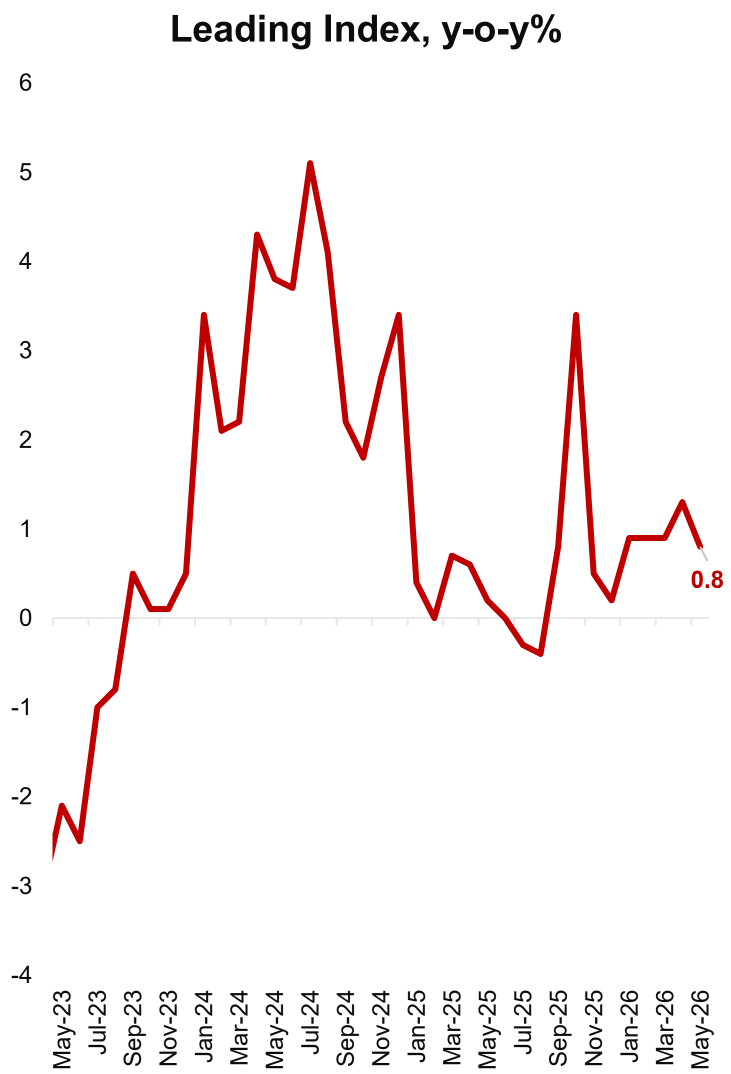


- Malaysia's labour market remained resilient in May 2026, supported by stable employment conditions and sustained workforce participation despite increasing external uncertainties.
- Employment continued to expand, albeit at a modest pace of 0.1% m-o-m, while falling marginally by 0.2% y-o-y to 16.8 million persons in May.
- Employment growth continued to be led by the services sector, particularly Wholesale & Retail Trade, Accommodation & Food and Beverage Services, and Information & Communication activities. Positive job gains across manufacturing, construction, agriculture, and mining sectors also suggest that labour market growth remained broad-based.
- The unemployment rate remained unchanged at 3.0% in May indicating that the economy continues to operate in full-employment conditions.
- Labour market conditions are expected to remain supportive in the second half of 2026, although employment growth may moderate as businesses navigate a more uncertain global environment. Rising energy costs, trade-related uncertainties, and potential supply chain disruptions could lead firms to adopt a more cautious hiring strategy.
- Nevertheless, strong domestic demand, ongoing investment activities, particularly in manufacturing, data centres, infrastructure projects and export-oriented industries, should continue to support job creation.

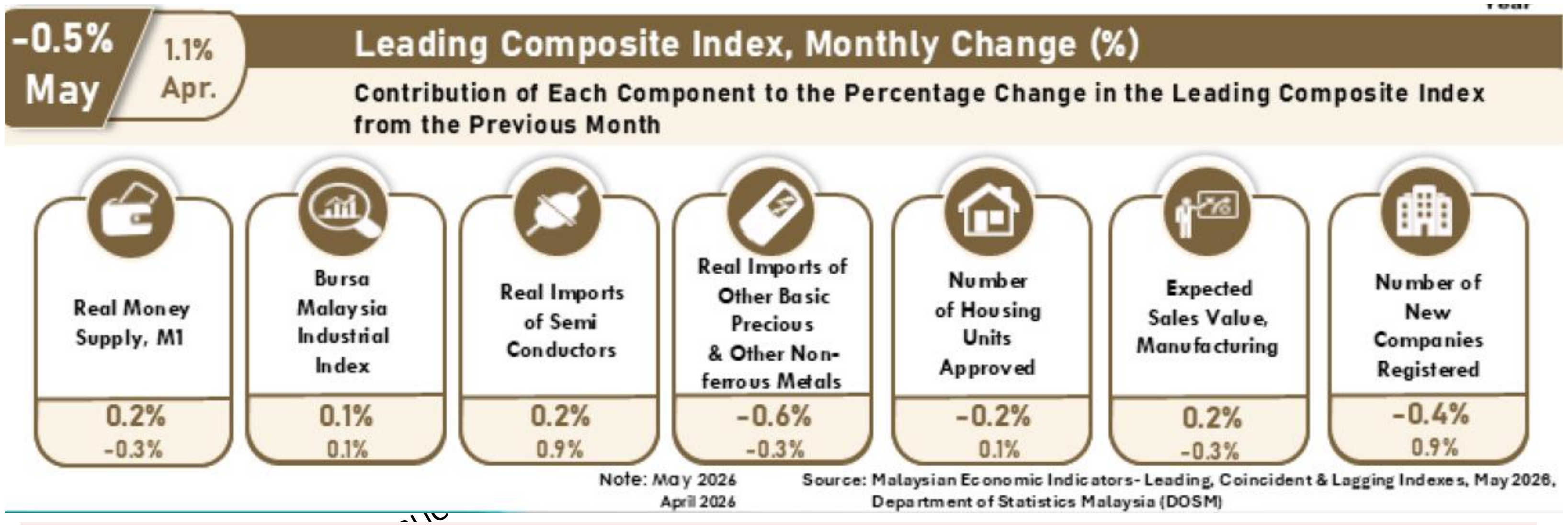
Sources: DOSM, CEIC Data, Bank Islam

LEADING INDICATOR SIGNALS CONTINUED ECONOMIC EXPANSION DESPITE MODERATING MOMENTUM

BANK ISLAM



Sources: DOSM, CEIC Data, Bank Islam



- Malaysia's Leading Index (LI) point towards a mild positive growth, rising 0.8% y-o-y to 114.4 points.
- Despite the positive annual performance, the LI declined 0.5% m-o-m in May, following weaker performance in three of its seven components. This suggests that while economic activity remains on a growth trajectory, the pace of expansion may moderate in the near term amid lingering external uncertainties.
- Nevertheless, recent economic indicators remain supportive of Malaysia's growth prospects. Strong export performance, particularly in semiconductors and E&E products, resilient domestic demand, and continued adaptation to evolving global technological trends are expected to underpin economic activity.
- Overall, the latest LI reading suggests that Malaysia's economy is likely to remain on a stable growth path, albeit with some moderation due to external headwinds and trade-related uncertainties.

THANK YOU