BANK ISLAM

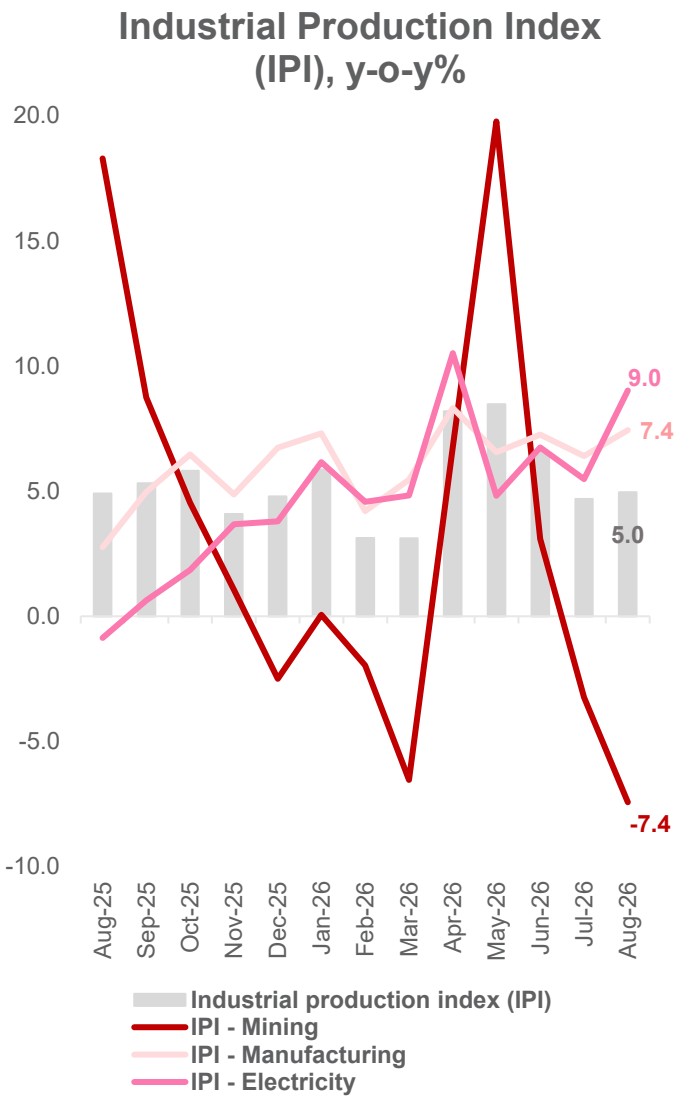
MALAYSIA: MONTHLY ECONOMIC UPDATE

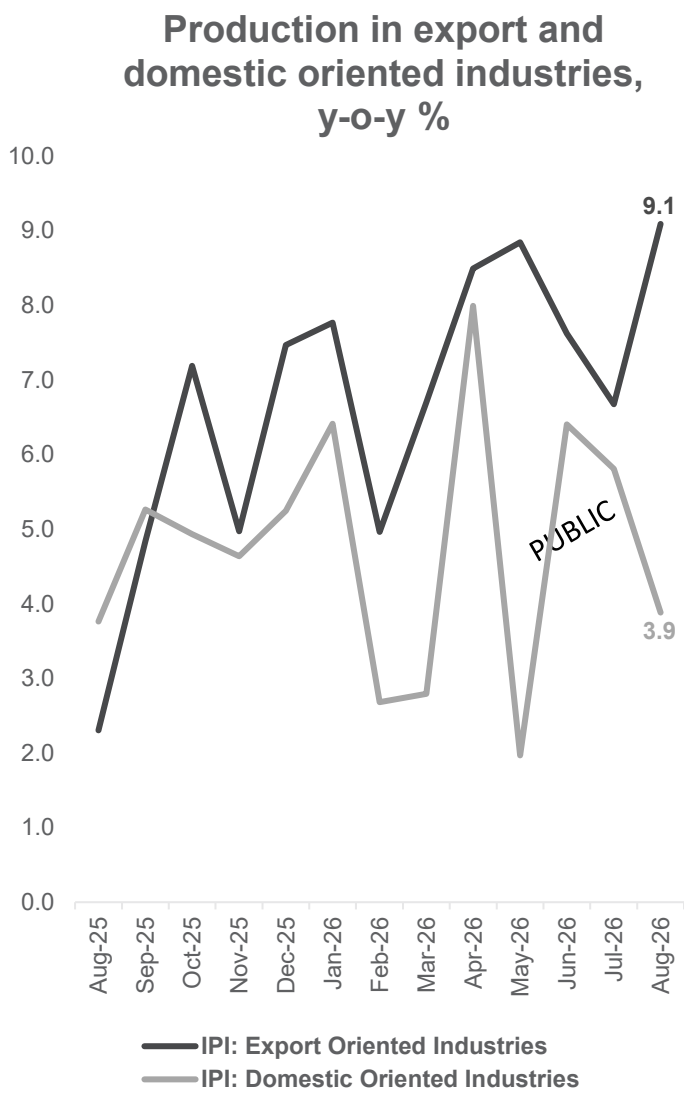
30 OCTOBER 2026

ECONOMIC RESEARCH

FARAH ZAZREEN ZAINUDIN

INDUSTRIAL PRODUCTION STRENGTHENS ON ROBUST E&E AND ELECTRICITY OUTPUT





Sources: DOSM, CEIC Data, Bank Islam

- **In August, Malaysia's IPI grew by 5.0% y-o-y (Jul: 4.7%), mainly driven by stronger growth in manufacturing production** (7.4%; Jul: 6.4%) and electricity output (9.0%; Jul: 5.5%). The robust performance of these segments more than offset the deeper contraction in mining production (-7.4%; Jul: -3.2%).
- **The E&E segment remained the key driver of manufacturing activity**, with production increasing by 17.0% y-o-y, marking its strongest growth since August 2022 and extending its double-digit expansion to eleven consecutive months. The segment **contributed 5.3 ppts to overall manufacturing growth**.
- This suggests that manufacturing activity continues to be supported by the E&E sector, underpinned by sustained demand arising from AI-related investments and the expansion of digital infrastructure. In addition, ongoing supply chain diversification by importing economies, amid trade restrictions affecting China's E&E industry, has benefited Malaysia given its strategic position within the global semiconductor value chain. This was evident in the stronger performance of export-oriented industries, which expanded by 9.1%, compared with 3.9% growth in domestic-oriented industries.
- At the same time, the strong growth in electricity output is believed to have been supported by sustained E&E manufacturing activity, particularly semiconductor production, as fabrication, assembly and testing processes are highly energy-intensive and require a continuous and stable power supply.
- In contrast, the contraction in mining output became more pronounced, as expected, amid the fading favorable base effect from the previous year. The decline was recorded in both crude petroleum production (-12.2%; Jul: -13.1%) and natural gas production (-4.3%; Jul: 3.6%).
- Looking ahead, **industrial production is expected to remain supported by sustained demand for E&E products, particularly those linked to semiconductors and AI-related technologies.** However, growth is likely to moderate as the exceptionally strong expansion in the E&E sector gradually normalises and competitive pressures from other semiconductor-producing economies intensify. In addition, **downside risks remain from potential changes to U.S. semiconductor policies and trade restrictions**, which could affect global supply chains, investment flows, and demand for Malaysia's E&E exports.

HEATMAP OF SECTORAL PRODUCTION

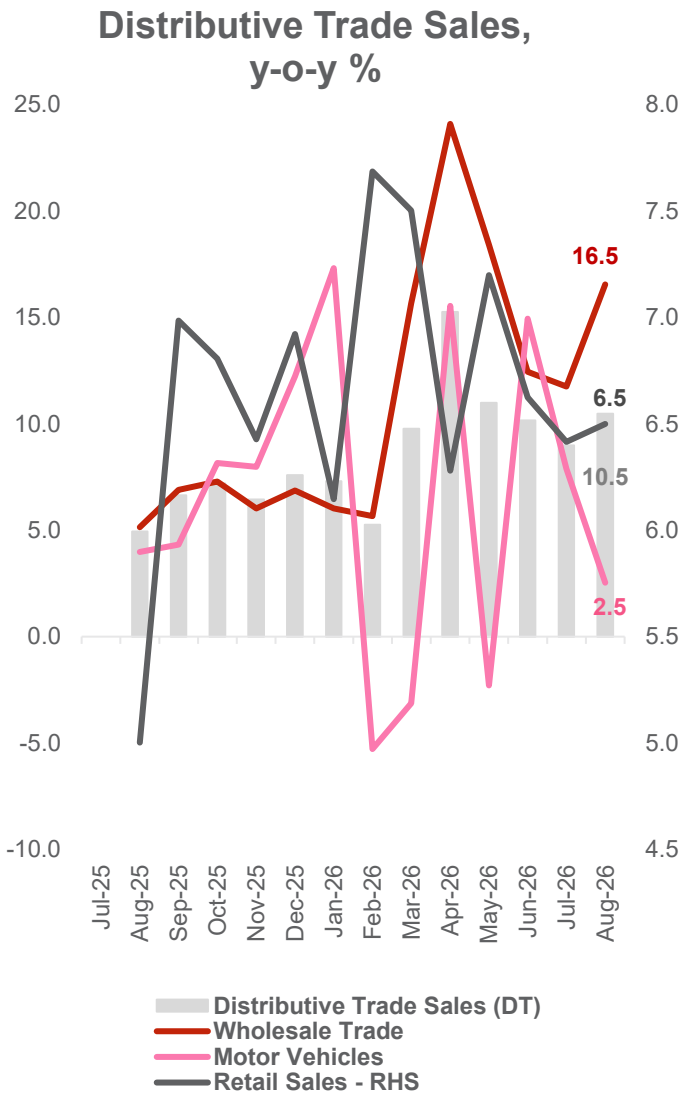
Component/Sub-component	Weight	Aug-25	Sep-25	Oct-25	Nov-25	Dec-25	Jan-26	Feb-26	Mar-26	Apr-26	May-26	Jun-26	Jul-26	Aug-26
Industrial Production Index (IPI)	**100.0**	4.9	5.3	5.8	4.1	4.8	5.9	3.1	3.1	8.2	**8.5**	**6.5**	**4.7**	**5.0**
Mining	25.1	18.3	8.7	4.5	1.1	-2.5	0.1	-2.0	-6.5	6.8	19.8	3.1	-3.2	-7.4
Electricity	6.6	-0.9	0.6	1.9	3.7	3.8	6.2	4.6	4.8	10.5	4.8	6.7	5.5	9.0
Manufacturing	68.3	2.8	5.0	6.5	4.9	6.7	7.3	4.2	5.5	8.3	6.6	7.3	6.4	7.4
Food, Beverages & Tobacco	*8.6*	3.4	8.7	10.6	8.0	11.2	12.2	5.7	9.1	8.9	-0.3	1.8	1.2	1.4
Textiles, Wearing Apparel, Leather & Footwear	*1.3*	-1.0	1.5	1.5	1.0	2.4	2.7	-1.8	1.1	3.4	-0.4	0.0	0.7	-0.3
Wood Products, Furniture, Paper Products, Printing	*4.6*	3.4	3.9	4.9	2.9	1.7	5.7	2.6	3.0	5.5	3.8	5.7	5.5	4.4
Petroleum, Chemical, Rubber & Plastic Products	*20.6*	-1.1	-0.6	-0.3	-1.8	0.3	-1.8	-2.1	0.1	3.8	3.4	2.6	1.7	2.6
Non-Metallic Mineral, Basic Metal & Fabricated Metal	*9.1*	3.6	3.0	4.8	3.7	5.6	7.0	3.5	3.7	6.5	4.9	5.0	5.9	5.7
Electrical & Electronic Products	*18.2*	6.6	9.1	13.4	10.8	12.8	15.2	12.9	12.5	12.8	16.2	13.6	13.3	17.0
Transport Equipment & Other Manufactures	*5.9*	-1.7	4.6	0.1	2.4	3.5	3.8	-3.5	-2.9	10.7	-4.8	9.4	4.5	-1.4
Export Oriented Industries	*45.8*	2.3	4.8	7.2	5.0	7.5	7.8	5.0	6.7	8.5	8.8	7.6	6.7	9.1
Domestic Oriented Industries	*22.4*	3.8	5.3	4.9	4.6	5.2	6.4	2.7	2.8	8.0	2.0	6.4	5.8	3.9

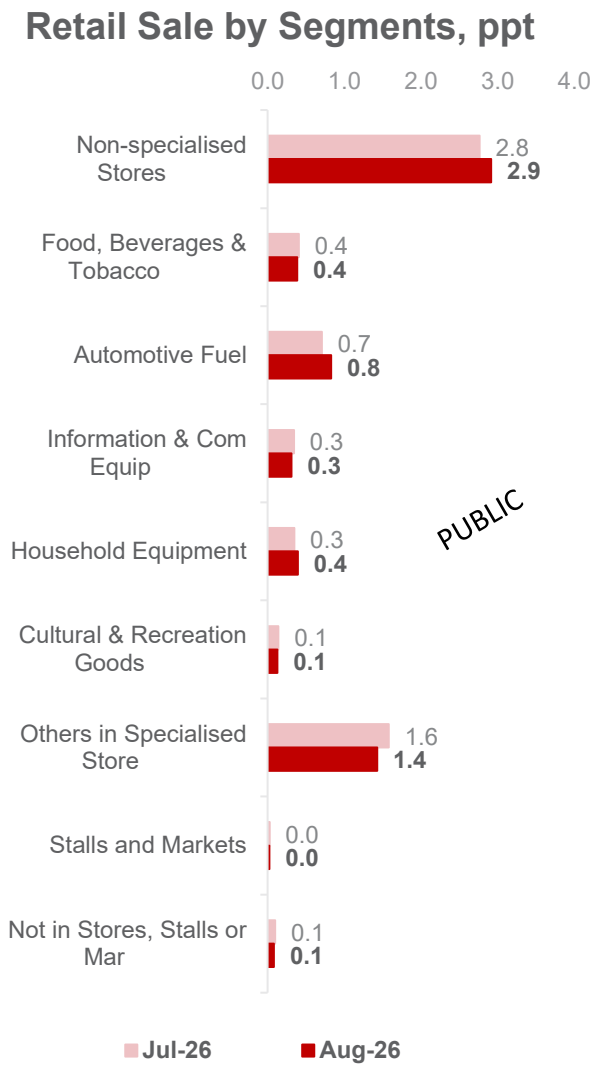
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Sources: DOSM, CEIC Data, Bank Islam

WHOLESALE TRADE DRIVES GROWTH AS CONSUMERS PRIORITISE ESSENTIAL SPENDING

BANK ISLAM





PUBLIC

- **Malaysia's distributive trade grew by 10.5% y-o-y in August 2026, driven primarily by a sharp acceleration in wholesale trade growth** (16.5%; Jul: 11.7%) and continued expansion in retail sales. However, growth in the motor vehicles segment moderated, reflecting a contraction in vehicle sales (-1.3%; Jul: 8.3%) and softer performance across other related segments. The slowdown likely reflects more cautious consumer spending, particularly on big-ticket purchases that require significant financial commitments.
- The acceleration in wholesale trade growth was largely driven by the *other specialized* wholesale trade segment, which contributed 13.2 ppts to overall wholesale trade growth, accounting for about 80% of the sector's expansion. This category generally comprises wholesalers of industrial inputs, construction materials, chemicals and other intermediate goods used by businesses rather than households. The strong performance suggests continued demand by businesses for production-related inputs across various sectors of the economy.
- Retail sales growth, meanwhile, remained broadly stable for the third consecutive month. **Non-specialized stores continued to be the key driver, contributing 2.9 ppts to overall retail growth in August**, slightly higher than 2.8 ppts in July. Spending on non-discretionary items continued to support retail activity, including food and beverages, and automotive fuels. Together with non-specialized stores, these segments accounted about 56% of total retail sales during the month. In contrast, the contribution from discretionary segments, including ICT and household equipment, recreational goods and other specialized stores, eased marginally to 2.3 ppts (Jul: 2.4). Persistently elevated living costs may have encouraged consumers to prioritise essential spending while postponing purchases of higher-value discretionary items.
- Overall, **distributive trade activity remained resilient, although growth continued to be concentrated in selected segments**. At the same time, retail sales is expected to remain supported by stable labour market conditions and continued spending on essential goods amid ongoing cost-of-living pressures and heightened economic uncertainty. Meanwhile, **discretionary spending may continue to face headwinds, particularly for higher-value purchases that are more sensitive to household affordability and consumer confidence**.

Sources: DOSM, CEIC Data, Bank Islam

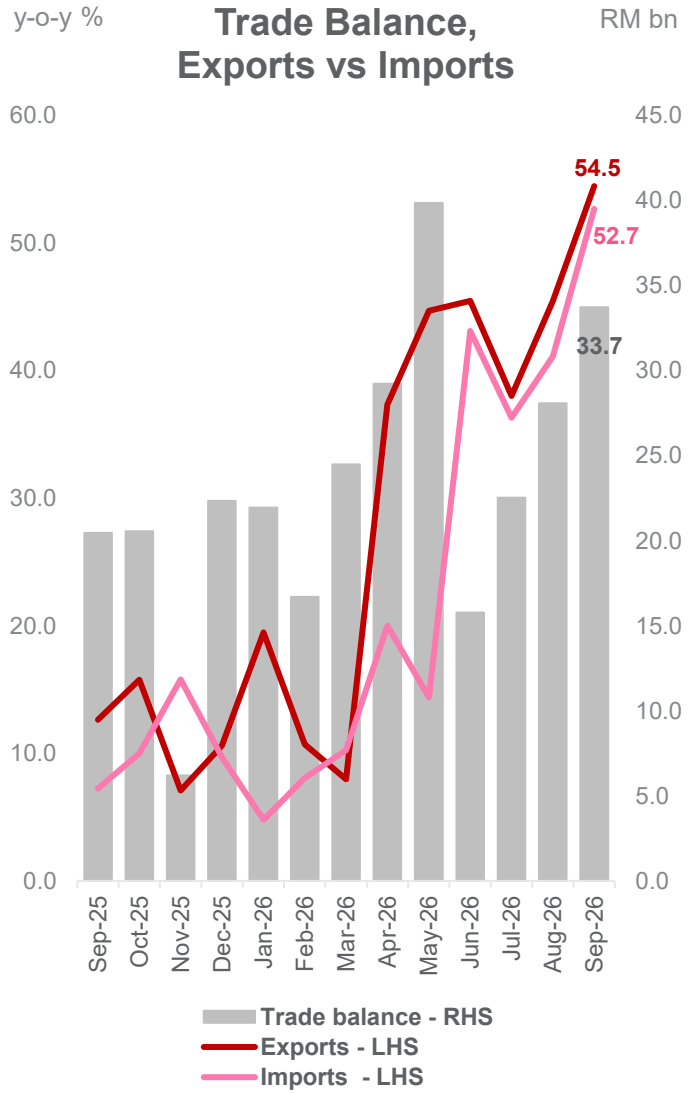
HEATMAP OF DISTRIBUTIVE TRADE

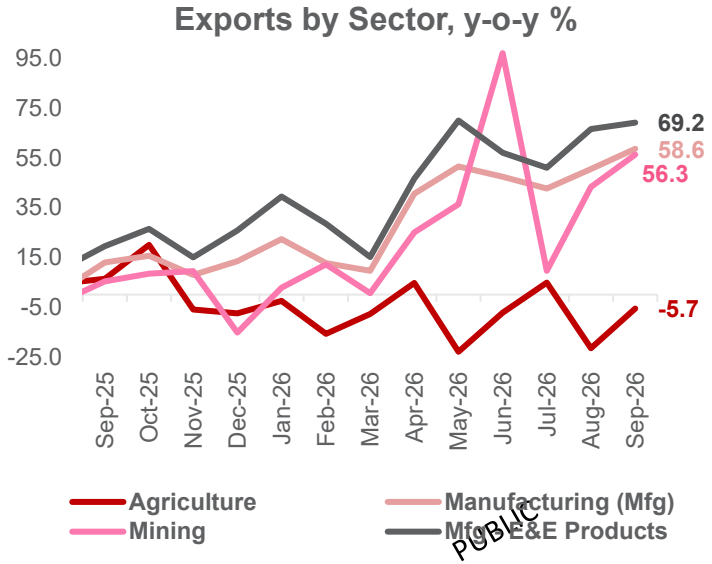
Component/Sub-component	Share	Aug-25	Sep-25	Oct-25	Nov-25	Dec-25	Jan-26	Feb-26	Mar-26	Apr-26	May-26	Jun-26	Jul-26	Aug-26
Distributive Trade Sales	**100.0**	**4.9**	**6.6**	**7.2**	**6.4**	**7.6**	**7.3**	**5.3**	**9.8**	**15.3**	**11.0**	**10.1**	**9.0**	**10.5**
Motor Vehicles	12.2%	**4.0**	**4.3**	**8.2**	**8.0**	**12.2**	**17.3**	**-5.3**	**-3.1**	**15.5**	**-2.3**	**14.9**	**7.9**	**2.5**
Wholesale Trade	46.0%	**5.1**	**6.9**	**7.3**	**6.0**	**6.9**	**6.0**	**5.7**	**15.7**	**24.1**	**18.4**	**12.4**	**11.7**	**16.5**
Retail Trade	41.8%	**5.0**	**7.0**	**6.8**	**6.4**	**6.9**	**6.1**	**7.7**	**7.5**	**6.3**	**7.2**	**6.6**	**6.4**	**6.5**
Non-specialised Stores	16.2%	5.6	9.9	9.1	8.7	9.3	7.9	10.4	8.1	6.1	8.2	7.0	7.2	7.5
Food, Beverages & Tobacco	2.7%	5.5	6.2	6.9	6.3	6.5	5.6	7.7	7.9	5.8	7.2	6.6	6.4	6.1
Automotive Fuel	4.0%	5.3	7.0	7.2	6.7	7.4	7.0	6.2	10.6	12.5	12.8	10.8	7.5	8.9
Information & Com Equip	3.2%	3.1	4.2	6.5	4.9	5.9	3.9	4.1	5.9	3.7	3.5	4.7	4.3	4.0
Household Equipment	4.6%	2.6	2.5	2.8	3.0	3.1	3.3	4.3	4.1	3.5	3.4	3.2	3.1	3.5
Cultural & Recreation Goods	1.7%	3.1	4.6	4.3	4.1	3.9	4.2	3.0	2.7	3.8	4.1	3.7	3.3	3.0
Others in Specialised Store	8.8%	6.0	5.8	5.2	5.1	5.6	5.4	7.4	8.2	6.8	6.7	7.0	7.6	6.9
Stalls and Markets	0.1%	5.2	5.3	5.5	5.3	5.9	6.2	8.9	9.3	6.4	8.1	7.7	7.8	7.0
Not in Stores, Stalls or Mar	0.4%	5.0	9.2	8.6	7.2	9.1	9.0	8.2	8.5	8.8	9.8	10.0	9.3	7.9

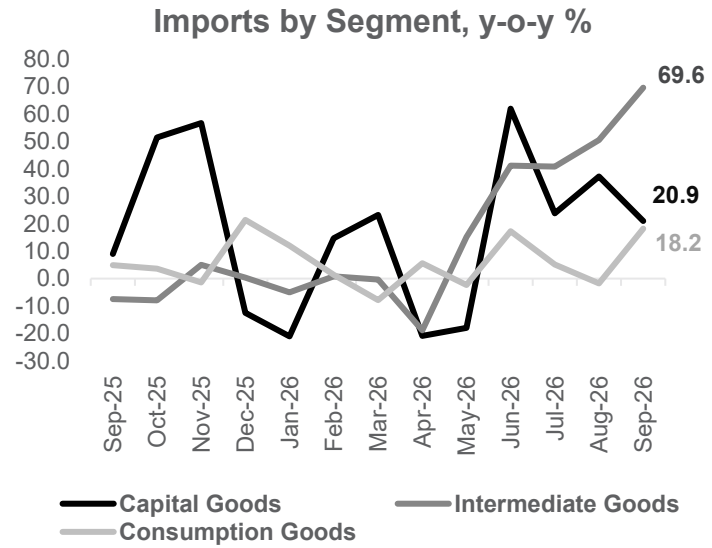
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Sources: DOSM, CEIC Data, Bank Islam

STRONG TECHNOLOGY DEMAND SUPPORTS EXPORTS, BUT GROWTH MAY NORMALISE







PUBLIC

- **Malaysia's external trade gained further momentum in September, with exports surging 54.5% y-o-y to RM215.1 billion**, while **imports rose 52.7% y-o-y to RM181.4 billion**. The trade surplus widened to RM33.7 billion, as export growth continued to outpace imports.
- The **stronger performance was largely driven by manufacturing**, with exports expanding 58.6% y-o-y, alongside a sharp rebound in mining exports (+56.3%). In contrast, agricultural exports declined by 5.7% y-o-y, reflecting weaker performance in the sector.
- **The semiconductor cycle remains a key driver of Malaysia's export performance, with E&E exports growing 69.2% y-o-y in September**. The ongoing expansion in AI infrastructure, data centres, and advanced computing continues to support demand for semiconductor-related products. **However, the current export strength also reflects Malaysia's exposure to the global technology cycle**, where any moderation in AI-related investment or changes in trade policies could affect export momentum. The challenge is to translate the current demand into more sustainable gains through higher-value semiconductor activities and stronger domestic supply-chain participation.
- Meanwhile, **a closer look at imports suggests that manufacturers are stepping up production to meet stronger external demand. Intermediate goods imports surged 69.6% y-o-y**, significantly outpacing capital goods imports (+20.9%), while consumption goods imports increased by 18.2%. **The sharp rise in intermediate goods points to higher demand for production inputs, consistent with the strong expansion in manufacturing exports**. Meanwhile, the increase in capital goods imports suggests that investment activity remains supportive, although the slower pace relative to intermediate goods may indicate that the current trade boom is driven more by production activity than by a comparable expansion in new capacity. The rise in consumption goods imports also points to firmer domestic demand.

Sources: DOSM, CEIC Data, Bank Islam

HEATMAP OF MAJOR EXPORT PRODUCTS

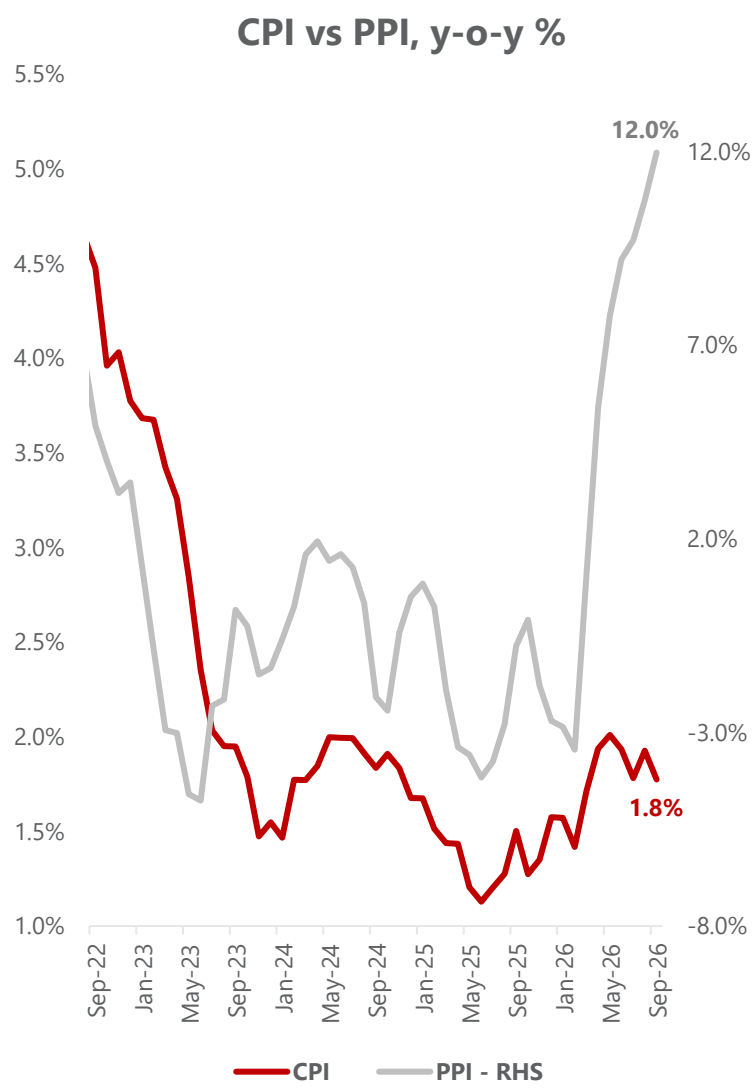
Top 10 Export Products	Share	Jan-26	Feb-26	Mar-26	Apr-26	May-26	Jun-26	Jul-26	Aug-26	Sep-26
Total Exports	**100.0**	**19.5**	**10.7**	**8.0**	**37.3**	**44.7**	**45.5**	**38.0**	**45.4**	**54.5**
Electrical & Electronic Products	51.2%	39.5	28.5	15.1	46.6	70.0	57.0	51.0	66.5	69.2
Petroleum Products	5.7%	-16.7	-23.5	23.5	70.2	76.4	55.6	26.9	21.7	33.2
Machinery, Equipment & Parts	4.1%	12.7	-0.2	2.1	26.5	15.4	18.4	41.4	27.8	38.4
Optical & Scientific Equipment	3.8%	36.4	42.9	29.3	49.5	45.0	42.8	36.1	23.5	43.2
Palm Oil & Palm Oil Based Products	3.1%	-2.1	-12.8	-6.1	3.6	-24.6	-10.8	7.7	-25.1	-9.1
Manufactures of Metal	2.9%	5.4	-7.0	21.2	42.7	8.8	48.6	23.3	35.3	26.8
LNG	2.6%	-5.5	-27.8	-17.4	6.8	107.9	83.3	14.1	51.8	45.7
Palm Oil	2.5%	-1.4	-16.5	-8.3	1.2	-29.4	-18.3	7.8	-31.6	-4.0
Chemicals & Chemical Products	2.4%	-7.8	-16.7	-20.1	25.1	1.8	6.6	1.4	-3.1	-2.0
Palm Oil Based Manufactured Products	1.6%	-4.5	-3.4	-5.2	19.1	15.9	20.2	24.2	4.7	-1.2

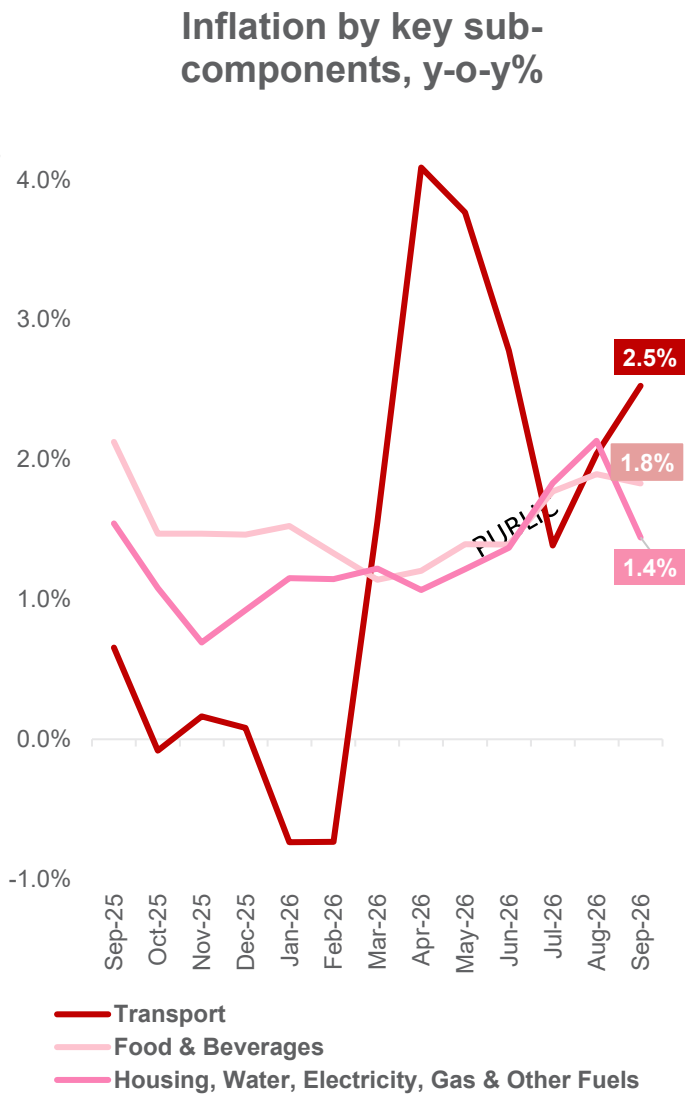
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Negative

- Beyond E&E, exports of manufactured petroleum products (+33.2%), machinery, equipment and parts (+38.4%), optical and scientific equipment (+43.2%), and manufactured metal products (+26.8%) also recorded strong gains, pointing to a broader recovery across manufacturing exports. The strength in exports extended beyond manufacturing, with LNG also providing support. LNG exports rose by 45.7%, supported by stronger energy-related shipments.
- However, the improvement was not broad-based across top ten export products with palm oil and palm oil-based agricultural products contracted by 9.1%, while palm oil exports declined by 4.0% and palm oil-based manufactured products fell by 1.2%. This highlights the continued divergence between Malaysia's technology-related exports and selected agricultural products.
- Looking ahead, export momentum is likely to remain favourable in the near term, but the pace of growth may moderate towards year-end. Continued investment in AI infrastructure and strong semiconductor demand should support E&E exports, while machinery and optical equipment exports may benefit from ongoing industrial and technology-related investment. Nevertheless, the remarkably strong growth recorded in recent months raises the possibility of some normalisation, particularly as the comparison base becomes less favourable. US trade policies, geopolitical developments and any moderation in global technology investment remain key risks to the outlook.

Sources: DOSM, CEIC Data, Bank Islam

GROWING COST PRESSURES INCREASE RISK OF CONSUMER PRICE TRANSMISSION





- **Headline inflation eased to 1.8% in September** (August: 1.9%), while core inflation remained unchanged at 1.7%, indicating that overall price pressures remained contained.
- Food inflation moderated slightly, supported by softer food-at-home prices, although **food-away-from-home inflation remained elevated**, suggesting continued cost pass-through within the services sector.
- Meanwhile, **utility inflation softened significantly, particularly electricity prices following the expansion of the electricity bill protection mechanism** from households consuming up to 600 kWh to 800 kWh, helping to offset upward pressures from other segments. **Inflation also moderated in the ICT segment, likely due to intense competition among telecommunications providers**, which led to lower prices for communication services and subscription packages.
- The moderation in these segments offset the acceleration in transport inflation, which was driven by higher global crude oil prices that translated into higher market-based fuel prices, particularly RON97 as well as diesel and RON95 purchases above the subsidized quota.
- In contrast, **the Producer Price Index (PPI) accelerated further to 12.0% in September** (August: 10.7%), largely driven by surging crude material costs**. Crude fuel for further processing recorded a sharp increase of 60.2%** y-o-y, maintaining double-digit growth since the onset of the U.S.-Iran conflict and reflecting persistent upstream cost pressures.
- **The sharp increase in producer prices widened the gap between PPI and CPI, raising the likelihood of a gradual pass-through to consumers in the coming months**. Should cost pressures persist and profit margins narrow further, businesses may increasingly transfer higher costs to retail prices, posing upside risks to the inflation outlook.
- Looking ahead, inflation is expected to remain manageable, supported by government interventions through subsidies and price-control measures that help cushion the impact on households. Nevertheless, risks remain tilted to the upside, stemming from elevated energy prices, geopolitical tensions, food cost pressures, ringgit weakness and potential supply disruptions.

Sources: DOSM, CEIC Data, Bank Islam

HEATMAP OF CPI

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

Positive
Neutral
Negative

Sources: DOSM, CEIC Data, Bank Islam

HEATMAP OF KEY CPI COMPONENTS

Sub-component	Weight	Sep-25	Oct-25	Nov-25	Dec-25	Jan-26	Feb-26	Mar-26	Apr-26	May-26	Jun-26	Jul-26	Aug-26	Sep-26
Food and Beverages (FB)	**29.8**	2.1	1.5	1.5	1.5	1.5	1.3	1.1	1.2	1.4	1.4	1.8	1.9	1.8
Food	**29.0**	2.0	1.4	1.4	1.5	1.5	1.3	1.1	1.2	1.4	1.4	1.8	1.9	1.9
Food Away From Home	13.4	4.4	2.9	2.8	2.7	2.5	2.4	2.3	2.6	2.5	2.4	2.5	2.5	2.6
Food at Home	15.6	0.0	0.0	0.1	0.3	0.6	0.3	0.1	0.0	0.3	0.5	1.2	1.4	1.2
Cereals & Cereal Products (CC)	*2.3*	-0.6	-0.5	-0.5	-0.5	-0.3	-0.5	-0.1	0.2	0.1	0.2	0.2	0.2	0.2
Meat	*2.3*	-0.1	-0.7	0.7	0.7	1.3	1.7	0.9	0.6	0.2	1.5	3.2	3.5	2.8
Fish & Seafood	*3.9*	1.5	1.7	2.1	2.2	2.2	2.5	1.5	1.2	1.6	1.4	1.1	0.9	1.5
Milk, Cheese and Eggs (MC)	*1.3*	0.0	0.6	-1.0	-0.1	0.3	0.1	0.0	-0.9	-0.8	0.1	0.8	1.5	2.1
Oils & Fats (OF)	*0.7*	1.3	1.5	1.3	0.9	0.3	-0.2	-0.2	0.1	0.0	0.2	0.2	0.1	-0.1
Fruits & nuts	*1.1*	-0.1	1.0	0.9	0.9	0.5	0.0	0.5	1.8	1.4	1.0	1.1	1.4	1.0
Vegetables	*1.8*	-5.5	-6.0	-6.1	-4.2	-3.0	-6.0	-4.9	-4.7	-1.5	-1.8	1.0	2.8	0.9
Sugar, Jam, Honey, Choc & Confect (SJ)	*0.5*	0.7	0.9	0.8	0.7	0.7	0.5	0.5	0.4	0.5	0.5	0.4	0.5	0.4
Foods Product N.E.C	*1.7*	2.8	2.5	2.2	1.7	1.4	1.0	1.0	0.9	0.5	0.6	0.7	1.0	0.7
Non-alcoholic beverages	**0.8**	4.0	3.8	3.7	3.1	2.6	2.3	0.2	0.4	0.2	0.1	0.1	0.0	-0.2
Housing, Water, Electricity, Gas & Other Fuels	**23.2**	1.5	1.1	0.7	0.9	1.2	1.1	1.2	1.1	1.2	1.4	1.8	2.1	1.4
Actual Rental For Housing	*17.7*	1.9	1.9	1.9	1.9	1.9	1.5	1.5	1.5	1.4	1.4	1.4	1.5	1.5
Maintenance & Repair of Dwelling	*1.2*	4.3	5.1	5.0	5.2	2.6	3.2	3.3	2.3	2.4	2.6	2.5	2.9	2.9
Water Supply & Miscellaneous Services	*1.2*	6.5	6.5	6.1	6.1	7.1	6.8	6.8	6.8	6.8	6.8	7.3	5.1	1.3
Electricity, Gas & Other Fuels	*3.1*	-4.2	-8.4	-10.3	-8.3	-7.2	-4.5	-4.0	-4.5	-3.1	-2.3	2.0	3.3	0.1
Transport	**11.3**	0.7	-0.1	0.2	0.1	-0.7	-0.7	1.6	4.1	3.8	2.8	1.4	2.0	2.5
Purchase of Vehicles	*1.6*	0.4	0.1	0.9	0.9	0.2	-0.4	-0.5	-0.2	-0.2	-0.2	-0.2	-0.7	-0.6
Operation of Personal Transport Equipment	*8.9*	0.8	-0.3	-0.2	-0.3	-1.0	-1.2	1.5	4.8	4.2	3.1	1.3	1.8	2.7
Public Transport Services	*0.7*	-0.3	2.8	2.6	2.5	0.8	3.8	7.0	7.0	6.8	6.5	6.5	10.5	7.8
Transport Services of Goods	*0.1*	-0.8	-1.3	-1.0	-1.4	-1.4	-1.9	-1.9	-1.3	-1.3	-1.3	-1.3	-1.3	-0.5

Positive
Neutral
Negative

Sources: DOSM, CEIC Data, Bank Islam

HEATMAP OF PPI

Component/Sub-component	Weight	Sep-25	Oct-25	Nov-25	Dec-25	Jan-26	Feb-26	Mar-26	Apr-26	May-26	Jun-26	Jul-26	Aug-26	Sep-26
Producer Price Index	**100.0**	-0.8	-0.1	-1.8	-2.7	-2.9	-3.4	1.1	5.4	7.8	9.2	9.7	10.7	12.0
Local Production By Sector														
Agriculture	**6.7**	7.8	2.7	-9.7	-12.1	-8.3	-8.7	-5.6	2.7	8.9	9.1	7.2	4.6	2.9
Mining	**7.9**	1.1	-1.0	-7.2	-8.8	-11.7	-8.5	26.5	53.4	52.6	29.0	30.5	41.2	54.1
Manufacturing	**81.6**	-2.1	-0.6	-0.6	-1.3	-1.7	-2.7	-0.8	1.1	3.5	7.2	8.2	8.8	9.4
Electricity & Gas	**3.4**	4.6	4.3	4.1	4.1	4.9	4.7	9.6	10.6	10.0	10.2	6.7	6.4	5.5
Water Supply	**0.3**	9.1	10.8	10.1	10.9	10.2	11.9	11.3	10.8	11.2	12.7	10.2	7.8	3.2
Local Production By Stage of Processing														
Crude Materials for Further Processing	**16.4**	2.4	1.2	-6.2	-8.3	-7.5	-7.0	9.8	26.1	31.5	25.0	24.1	24.8	30.3
Foodstuffs and Feedstuffs	3.2	3.0	3.7	4.7	4.3	4.5	4.4	5.5	4.3	4.3	4.9	7.5	8.7	6.5
Non-food Materials	13.2	2.3	0.6	-8.4	-11.0	-10.0	-9.5	10.7	31.2	38.1	29.8	27.9	28.5	35.8
Intermediate Materials Supplies and Components	**56.1**	-1.2	-0.2	-1.1	-1.6	-2.3	-3.1	-1.3	0.8	3.0	7.4	8.4	9.6	9.7
Materials and Components for Manufacturing	29.6	-1.2	0.1	-0.7	-2.1	-3.5	-4.2	-2.5	-0.5	1.6	4.5	5.7	5.5	6.1
Materials and Components for Construction	2.9	3.8	4.6	4.7	4.7	5.8	5.9	5.9	5.9	5.3	5.4	4.5	3.5	3.1
Processed Fuels and Lubricants	11.9	-3.9	-3.7	-7.5	-6.7	-6.3	-9.3	-4.8	-0.7	3.7	13.9	13.8	20.0	19.2
Containers	0.6	1.1	3.5	4.2	4.5	3.0	2.1	2.3	2.4	3.6	4.5	5.3	4.2	3.4
Supplies	11.2	-0.4	1.3	2.5	2.7	2.7	2.8	3.5	4.4	5.7	9.7	11.7	13.0	12.8
Finished Goods	**27.5**	-1.8	-1.0	-0.2	-0.7	-0.6	-1.1	-0.1	0.7	1.7	2.0	2.5	3.1	3.6
Finished Consumer Foods	3.5	1.4	2.1	1.4	0.7	0.5	0.5	0.7	-0.1	0.9	1.5	1.1	1.2	0.6
Finished Consumer Goods Excluding Foods	8.0	-1.5	-1.0	-1.0	-1.0	-0.4	0.3	0.6	0.7	1.3	2.1	1.8	1.6	2.7
Capital Equipment	16.0	-2.8	-1.8	-0.1	-1.1	-0.9	-2.3	-0.6	0.8	2.1	2.0	3.4	4.3	5.0

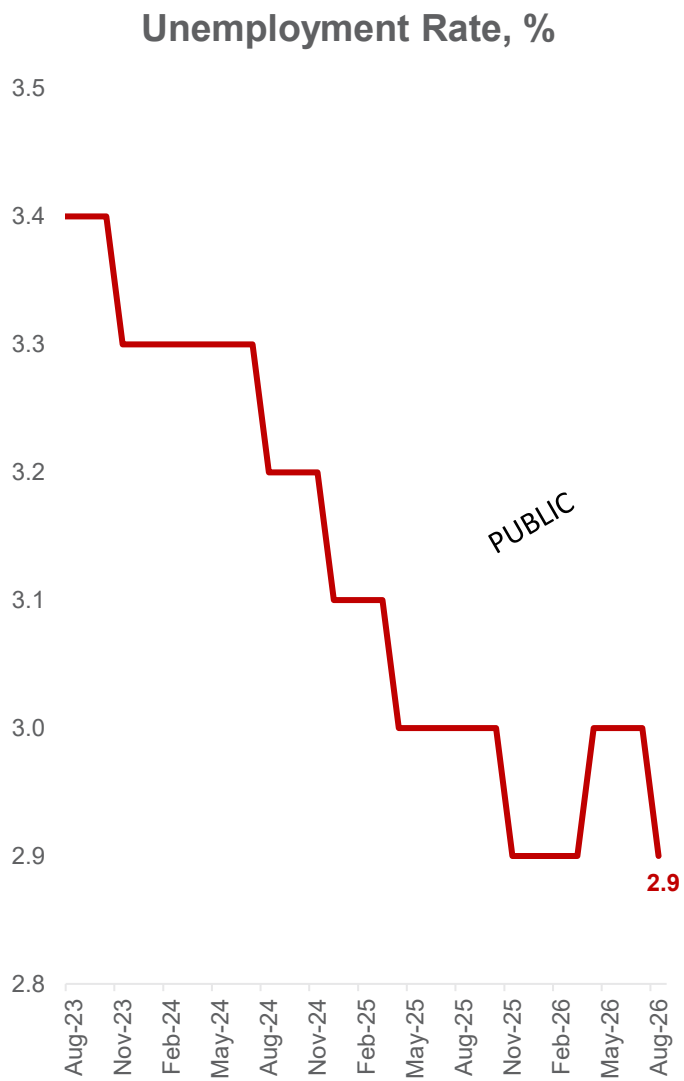
Positive
Neutral
Negative

Sources: DOSM, CEIC Data, Bank Islam

PUBLIC

LABOUR MARKET REMAINS RESILIENT DESPITE MODERATING HIRING MOMENTUM

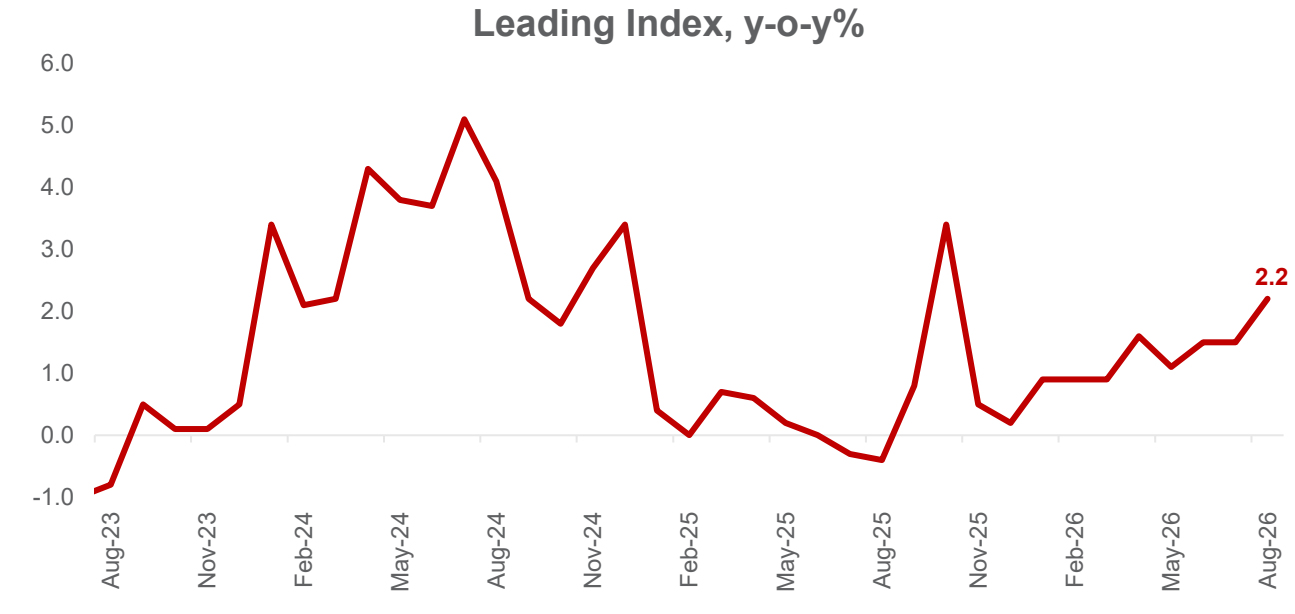


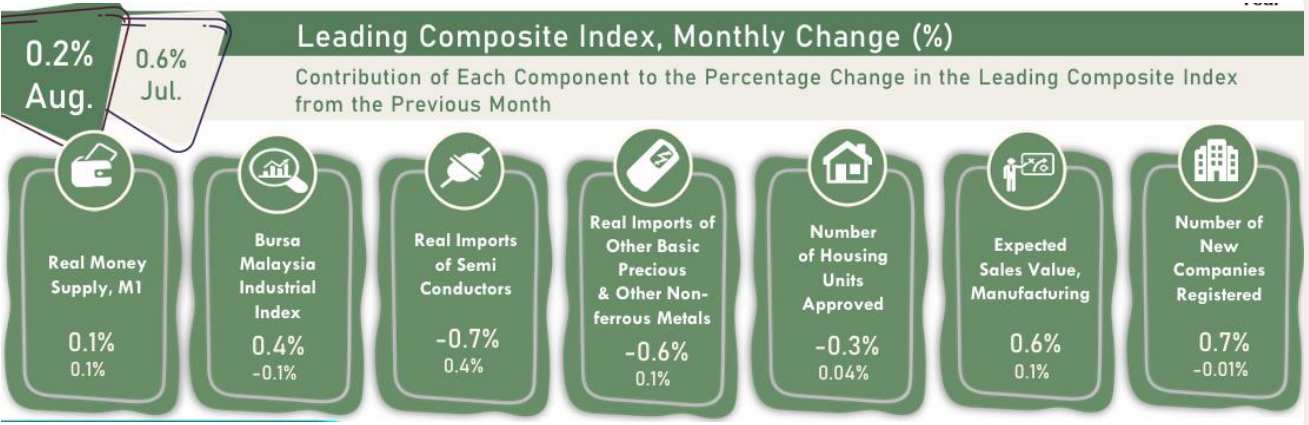


- **Malaysia's labour market remained favourable in August, with the unemployment rate declining to 2.9% from 3.0%** in the previous four months, indicating that labour market conditions continued to operate at near full employment. **The number of unemployed persons fell by 1.4% y-o-y and 1.7% m-o-m to 511.6 thousand,** providing continued support to household income growth and consumer spending.
- Employment continued to expand, with the number of employed persons rising by 1.1% y-o-y and 0.2% m-o-m to 16.9 million in August. **While hiring activity remains positive, the pace of job creation continues to be relatively moderate**, suggesting that firms are maintaining workforce expansion cautiously amid softer economic growth prospects, rising operational cost, and external uncertainties.
- The labour force participation rate (LFPR) edged higher to 71.0% from 70.9% in July, indicating continued labour market engagement and confidence among job seekers. The increase in labour force participation alongside lower unemployment suggests that the economy is still generating sufficient employment opportunities to absorb new entrants into the workforce.
- Although job creation has slowed, the absence of widespread layoffs indicates that business conditions remain relatively stable. As a result, household income and consumption are expected to remain supported despite external uncertainties.
- Looking ahead, **labour market conditions are expected to remain broadly stable, supported by ongoing investment-related projects, tourism activities and domestic-oriented sectors**. Nevertheless, a more challenging external environment and persistent cost pressures could lead firms to adopt a more selective approach to recruitment and moderate the pace of future workforce expansion.
- Overall, **the labour market remains a key pillar of economic resilience, supported by low unemployment and continued employment growth**. However, the relatively moderate pace of hiring suggests that labour demand is gradually normalising, demanding close monitoring as a potential early indication of broader economic moderation.

Sources: DOSM, CEIC Data, Bank Islam

LEADING INDEX POINTS TO SUSTAINED EXPANSION DESPITE UNEVEN SECTORAL MOMENTUM

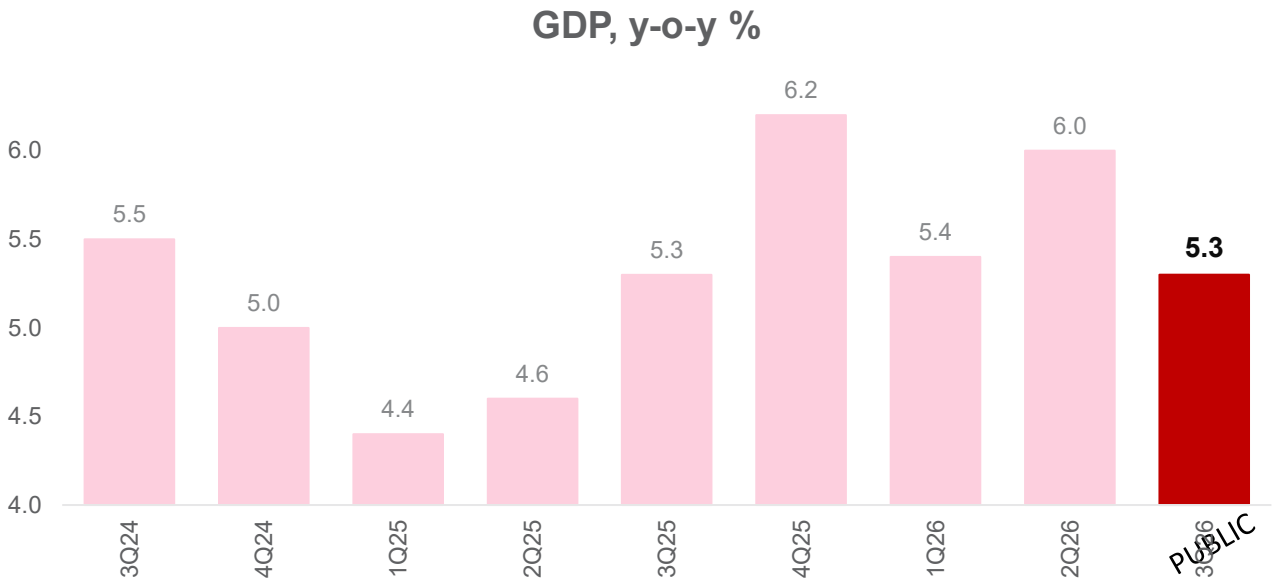




- **Malaysia's Leading Index (LI) accelerated to 2.2% y-o-y in August** from 1.1% in July, strengthening its positive trend and indicating that economic activity is likely to remain on an expansionary path in the coming months. **The improvement was mainly driven by real imports of semiconductors, which increased by 18.9% y-o-y**. This indicates **that growth momentum is being increasingly supported by the E&E industry and investment-related technology sectors**, contributing to the recovery in economic activity following the softer growth seen earlier in the year.
- On a month-on-month basis, the Leading Composite Index increased by 0.2% in August, following a 0.6% gain in July. The monthly improvement was primarily supported by growth in the number of new companies registered, manufacturing sales expectations, Bursa Malaysia Industrial Index, and money supply (M1), indicating that domestic demand and business activity continue to provide support to the economic outlook.
- **Nevertheless, the composition of the index points to mixed underlying signals**. While business sentiment and company formations improved on monthly basis, declines in real imports of semiconductors, other basic precious and non-ferrous metals, as well as housing approvals suggest that certain investment and trade-related activities remain cautious amid external uncertainties.
- Meanwhile, **the continued increase in manufacturing sales expectations is encouraging, as it indicates that firms remain optimistic about near-term demand conditions despite a challenging global environment**. Together with ongoing investment projects and domestic economic activity, this should continue to support growth in the coming quarters.
- At the same time, the moderation in some forward-looking indicators suggests that economic expansion is likely to remain uneven across sectors. While there are currently no signs of a significant slowdown, businesses may continue to adopt a measured approach to investment and expansion decisions amid persistent global uncertainties and cost pressures.
- Overall, the latest Leading Index points to a more favourable growth outlook, with the stronger annual growth rate suggesting that economic activity should remain supported in the near term. However, the mixed performance of individual components indicates that growth momentum remains selective, needing continued monitoring of external developments and business sentiment.

Sources: DOSM, CEIC Data, Bank Islam

ADVANCE ESTIMATE POINTS TO MODERATION IN MALAYSIA'S 3Q26 GDP GROWTH TO 5.3%



Sector	2Q26	Advance estimate 3Q26
Services	5.9%	**5.4%**
Manufacturing	7.3%	**7.5%**
Agriculture	-3.7%	**1.3%**
Mining & Quarrying	9.2%	**-4.9%**
Construction	6.5%	**6.0%**

Sources: DOSM, CEIC Data, Bank Islam

- **Department of Statistics Malaysia (DOSM) estimates that Malaysia's GDP growth moderated to 5.3% y-o-y in 3Q26**, from 6.0% in 2Q26. Growth continued to be supported by the services sector (5.4%; 2Q26: 5.9%), manufacturing sector (7.5%; 2Q26: 7.3%) and construction sector (6.0%; 2Q26: 6.5%). Meanwhile, the agriculture sector is expected to rebound by 1.3% after contracting 3.7% in the preceding quarter, driven by higher output in the oil palm and livestock sub-sectors. In contrast, the mining sector is estimated to contract by 4.9%, reversing from a strong 9.2% expansion in 2Q26.
- The advance estimate is compiled based on available data for the first two months of the quarter (July and August), supplemented by estimates for indicators that are not yet available. As such, the official GDP figures, scheduled for release on 18 November, may be subject to revision.
- According to DOSM, growth in the services sector was underpinned mainly by the wholesale and retail trade, information and communication technology (ICT), and finance and insurance sub-sectors. Meanwhile, the manufacturing sector continued to benefit from export-oriented industries, particularly electrical, electronic and optical products, as well as petroleum, chemical, rubber and plastic products. The construction sector remained supported by activity in the non-residential buildings and specialized construction activities sub-sectors.
- As expected, the mining sector's momentum moderated in 3Q26 as the favourable base effect from the previous year gradually faded. Coupled with lower crude oil and condensate production, this led to an estimated contraction in the sector during the quarter.
- Moving ahead, **Malaysia's economic growth is expected to moderate further in the last quarter of the year but to remain supported by resilient domestic demand, continued expansion in export-oriented manufacturing industries, and sustained construction activity**. The services sector should continue to benefit from consumer spending and business-related activities, while the manufacturing sector is likely to be underpinned by demand for electrical and electronic (E&E) products. Nevertheless, downside risks remain from external uncertainties, including slower global growth, trade-related developments and commodity price volatility, which could weigh on export performance and business sentiment.

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THANK YOU