BANK ISLAM

MONTHLY ECONOMIC UPDATE

4 MAY 2025

ECONOMIC RESEARCH

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KEY TAKEAWAYS

- **The International Monetary Fund (IMF) has lowered its global growth forecast for 2026 to 3.1% from 3.3%,** reflecting rising economic risks linked to geopolitical tensions. The downgrade is largely driven by the ongoing Middle East conflict, which has disrupted energy supplies and pushed oil prices higher. These higher energy costs are feeding into inflation and tightening financial conditions worldwide, weighing on economic activity. The IMF warned that the global economy is already drifting toward a more adverse scenario where growth could slow further to around 2.5%. In a worst-case scenario involving prolonged conflict and sustained high oil prices, global growth could fall to near 2%, close to recession levels. Emerging and developing economies are expected to be hit harder due to their vulnerability to energy price shocks and external financing pressures. Major economies such as the U.S., eurozone, and China are also seeing modest downward revisions to their growth outlooks. The IMF emphasized that uncertainty remains very high, especially regarding the duration of the conflict and its impact on commodity markets. Overall, the report highlights increasing downside risks, with policymakers needing to balance inflation control and support for growth.

- **The Federal Reserve (The Fed) decided to keep the federal funds rate unchanged at around 3.50%–3.75% in its latest April 2026 meeting.** The statement noted that the U.S. economy continues to expand at a solid pace, although job gains have been relatively modest and unemployment has remained stable. Inflation is still considered elevated, partly driven by higher global energy prices and ongoing external pressures. The Fed emphasized that it remains highly attentive to inflation risks and is committed to achieving its long-term 2% target. Policymakers signaled a cautious approach, indicating that future decisions will depend on incoming economic data and evolving risks. Despite holding rates steady, the tone of the statement reflects uncertainty about the inflation outlook and broader economic conditions. Overall, the FOMC is maintaining a wait-and-see stance as it balances slowing momentum with persistent price pressures.

- **Malaysia's economy expanded by 5.3% y-o-y in 1Q2026,** according to advance estimates from the Department of Statistics Malaysia (DOSM), underscoring its continued resilience. However, growth moderated slightly from the 6.3% y-o-y recorded in the previous quarter, signalling a softer growth momentum. The expansion was largely driven by the services and manufacturing sectors, which remained the main pillars of economic activity. Domestic demand stayed supportive, aided by steady consumer spending and sustained business activity. In contrast, the mining sector contracted amid lower oil and gas production, partially weighing on overall growth. Looking ahead, economic growth is expected to ease further in 2H2026, reflecting heightened external headwinds from a slower global economy and ongoing geopolitical uncertainties.

SECTION 1

Economic Pulse at a Glance

THE HEAT MAP OF KEY ECONOMIC INDICATORS

Period	Oct-25	Nov-25	Dec-25	Jan-26	Feb-26	Mar-26	2Q2025	3Q2025	4Q2025	1Q2026	2024	2025	2026f
Country	Industrial Production Index (IPI), y-o-y %						GDP, y-o-y %				GDP, y-o-y %		GDP Projection, IMF
U.S.	1.6	2.1	1.5	1.3	1.2	0.7	2.0	2.4	2.0	-	2.8	2.1	2.3
Euro	1.8	2.1	1.9	-0.6	-0.6	-	1.5	1.6	1.6	-	1.1	1.5	1.1
UK	-0.5	-0.2	2.8	-1.6	-0.4	-	1.3	1.1	0.9	-	1.1	1.4	0.8
Japan	0.1	-4.2	0.9	0.7	0.4	2.3	2.1	0.7	0.4	-	-0.2	1.2	0.7
China	4.9	4.8	5.2	NA	6.3	5.7	5.2	4.8	4.5	5.0	5.0	5.0	4.4
Singapore	15.0	8.2	10.9	9.7	3.3	10.1	5.4	4.5	5.7	4.6	5.3	5.0	3.5
Malaysia	5.8	4.1	4.8	5.9	3.1	-	4.4	5.4	6.3	-	5.1	5.2	4.7
Indonesia	3.3	2.3	6.1	NA	NA	NA	5.1	5.0	5.4	-	5.0	5.1	5.0
Thailand	0.5	-3.7	2.6	1.6	0.1	0.8	2.8	1.2	2.5	-	2.9	2.4	1.5
Philippines	2.0	0.0	0.5	1.3	3.2	-	5.4	4.0	3.0	-	5.7	4.4	4.1
Vietnam	10.4	9.1	10.1	19.4	0.6	6.9	8.2	8.3	8.5	-	7.0	8.0	7.1

Positive
Neutral
Negative

Sources: IMF, World Bank, CEIC, Bloomberg, Trading Economics, Bank Islam
Note: NA – Data not available, Indonesia's IPI is published on a quarterly basis

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THE HEAT MAP OF KEY ECONOMIC INDICATORS

Period	Jan-26	Feb-26	Mar-26	Jan-26	Feb-26	Mar-26	Jan-26	Feb-26	Mar-26	Jan-26	Feb-26	Mar-26
Country	Manufacturing PMI			Exports, y-o-y %			Retail Sales, y-o-y %			Unemployment Rate, %		
U.S.	52.4	51.6	52.3	13.0	16.4	15.1	3.3	4.0	4.0	4.7	4.7	4.3
Euro	49.5	50.8	51.6	-9.8	-9.3	-	2.1	1.7	-	6.1	6.2	-
UK	51.8	51.7	51.0	-29.9	-21.5	-	5.2	1.7	3.4	5.2	4.9	-
Japan	51.5	53.0	51.6	16.8	4.0	11.5	1.8	-0.1	1.7	2.6	2.6	2.8
China	50.3	52.1	50.8	10.0	39.6	2.5	NA	2.8	1.7	5.2	5.3	5.4
Singapore	50.5	50.6	50.5	30.3	11.0	41.2	-0.1	7.7	-	NA	NA	1.9
Malaysia	50.2	49.3	50.7	19.6	10.7	8.3	8.3	4.9	-	2.9	2.9	2.9
Indonesia	52.6	53.8	50.1	3.4	1.0	-	5.7	6.5	2.4	NA	NA	NA
Thailand	52.7	53.5	54.1	13.3	0.3	9.7	75.4	-	-	0.9	0.9	1.0
Philippines	52.9	54.6	51.3	8.7	8.9	20.4	NA	NA	NA	5.8	5.1	-
Vietnam	52.5	54.3	51.2	29.7	5.7	20.1	6.8	13.7	12.4	NA	NA	2.2

Positive
Neutral
Negative

Sources: IMF, World Bank, CEIC, Bloomberg, Trading Economics, Bank Islam
Note: NA – Data not available, Philippines's retail sales and Singapore and Vietnam unemployment rate are published on a quarterly basis
Indonesia's unemployment rate is published semiannually

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THE HEAT MAP OF KEY ECONOMIC INDICATORS

Period	Oct-25	Nov-25	Dec-25	Jan-26	Feb-26	Mar-26	Oct-25	Nov-25	Dec-25	Jan-26	Feb-26	Mar-26
Country	Consumer Price Index (CPI), y-o-y %						Producer Price Index (PPI), y-o-y %					
U.S.	NA	2.7	2.7	2.4	2.4	3.3	2.8	3.1	3.2	3.1	3.4	4.0
Euro	2.5	2.4	2.3	2.0	2.1	2.8	-0.2	-1.0	-1.6	-1.5	-2.3	
UK	3.6	3.2	3.4	3.0	3.0	3.3	3.6	3.4	3.1	2.5	1.8	2.5
Japan	3.0	2.9	2.1	1.5	1.3	1.4	2.7	2.7	2.4	2.3	2.1	2.6
China	0.2	0.7	0.8	0.2	1.3	1.0	-2.1	-2.2	-1.9	-1.4	-0.9	0.5
Singapore	1.2	1.2	1.2	1.4	1.2	1.8	7.1	6.3	-1.2	1.4	5.4	20.3
Malaysia	1.3	1.4	1.6	1.6	1.4	1.7	-0.1	-1.8	-2.7	-2.9	-3.4	1.1
Indonesia	2.9	2.7	2.9	3.5	4.8	3.5	0.2	-0.1	0.9	-0.3	0.8	0.6
Thailand	-0.8	-0.5	-0.3	-0.7	-0.9	-0.1	-1.5	-1.6	-1.8	-1.6	-0.5	6.0
Philippines	1.7	1.5	1.8	2.0	2.4	4.1	0.5	0.0	0.9	1.3	1.4	2.5
Vietnam	3.2	3.6	3.5	2.5	3.4	4.7	NA	NA	0.5	NA	NA	NA

Positive
Neutral
Negative

Sources: IMF, World Bank, CEIC, Bloomberg, Trading Economics, Bank Islam
Note: NA – Data not available, Vietnam's PPI is published on a quarterly basis

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SECTION 2

Malaysia’s Financial Market

REGIONAL EQUITY: REGIONAL EQUITIES SURGE AS A.I. OPTIMISM AND EARNINGS DRIVE GAINS

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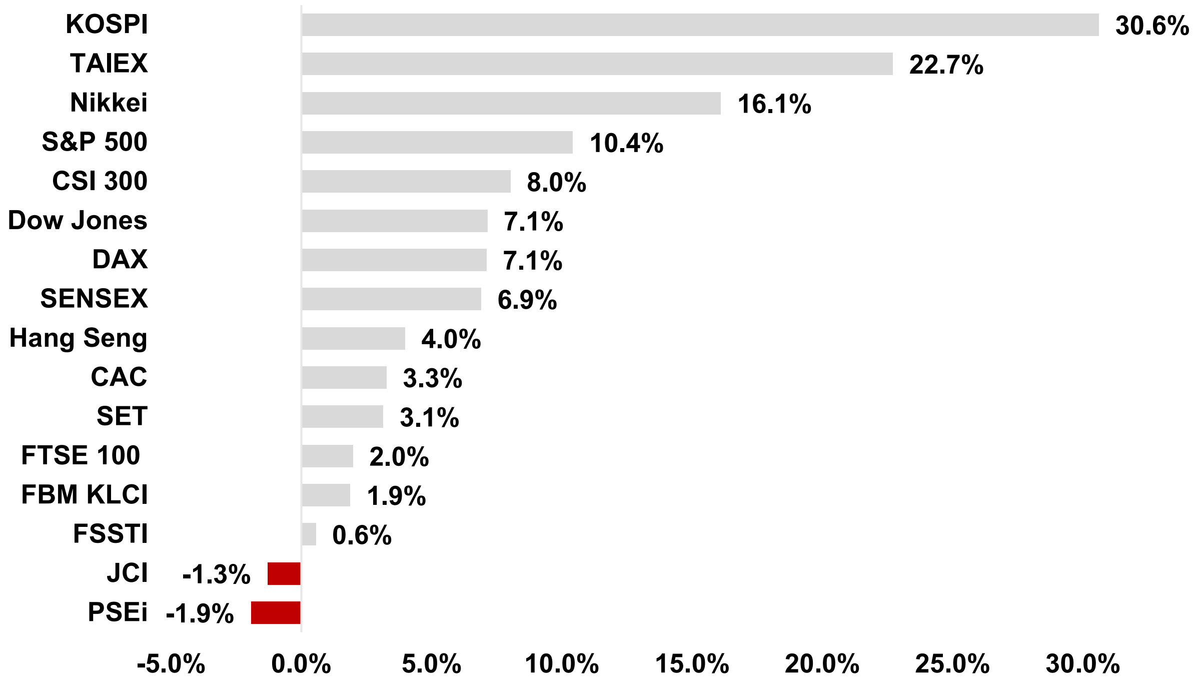
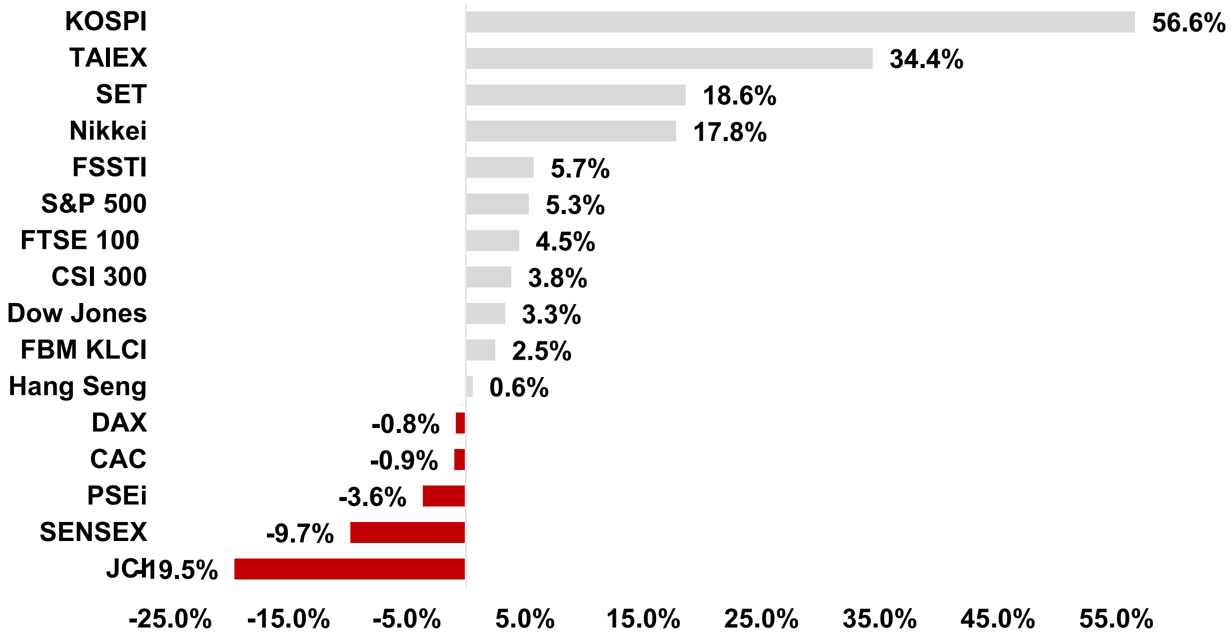
Monthly Gain/Loss of Major Equity Market, m-o-m%



YTD Gain/Loss of Major Equity Markets, %
(As of 30 April 2026)



Sources: Bursa, CEIC data

- Regional equity markets mostly rallied in April, led by South Korea's KOSPI, which rose by 30.6%, underpinned by accelerating A.I. chip demand and better-than-anticipated performances from major U.S. technology companies, strengthening optimism around the worldwide A.I. growth story.
- Taiwan's TAIEX also ended April in the green, rising by 22.7%, as positive sentiment was sustained by confidence in the build-out of A.I. infrastructure and regulatory moves to relax a long-standing rule capping single-stock exposure at 10% for fund managers. Gains were led primarily by the energy minerals, health technology, and commercial services sectors.
- Additionally, U.S. stocks – S&P 500 (+10.4%) and Dow Jones (+7.1%) surged driven by strong earnings reports alongside softer energy prices.
- YTD, South Korea's KOSPI remained as the top performer in April, with a gain of 56.6%.

DOMESTIC EQUITY: FBM KLCI MOMENTUM RETURNS AMID RESILIENT GROWTH AND CEASEFIRE EXTENSIONS

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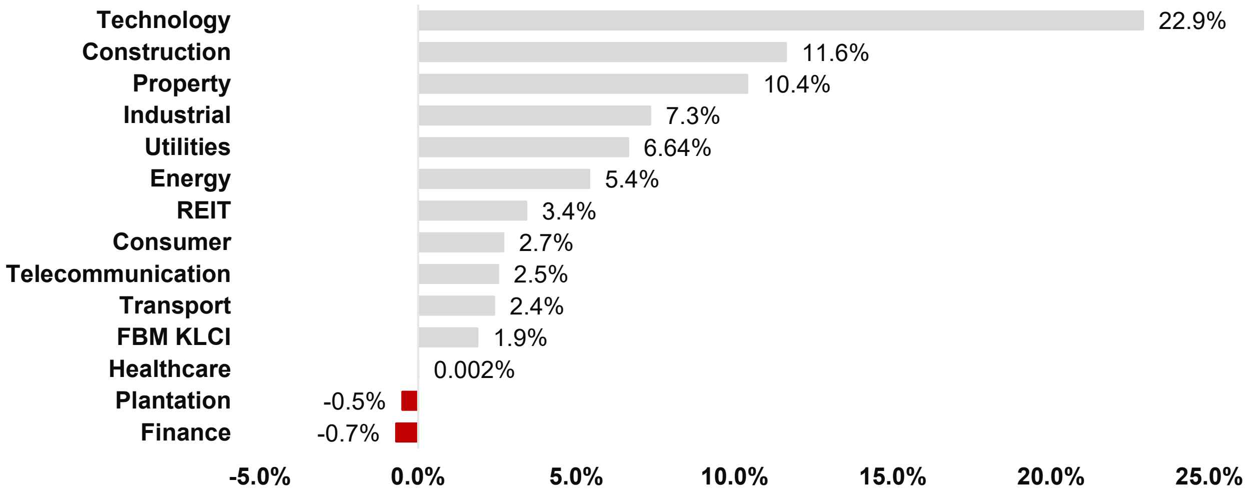
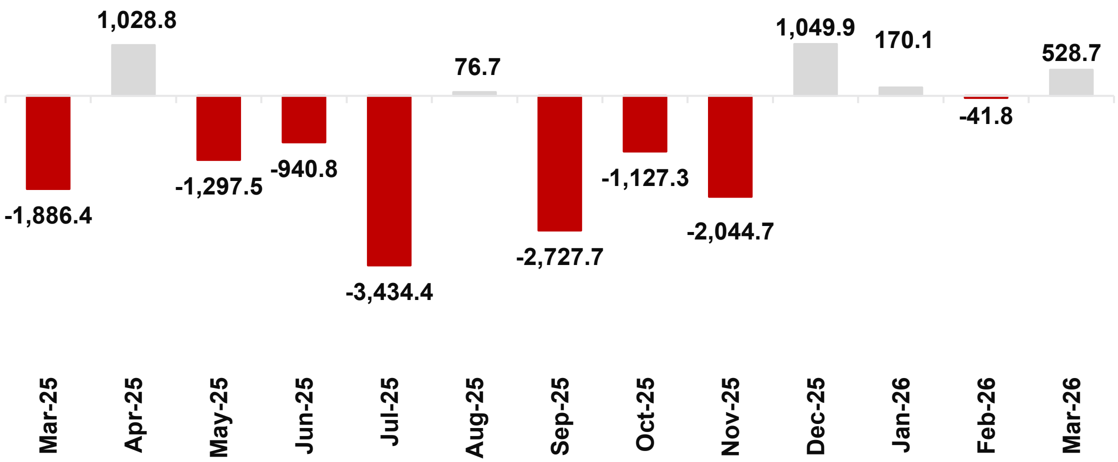
Monthly Bursa Sectoral Performance, m-o-m%



Monthly Foreign Fund Net Inflows/Outflows, RM Million



Sources: DOSM, CEIC Data

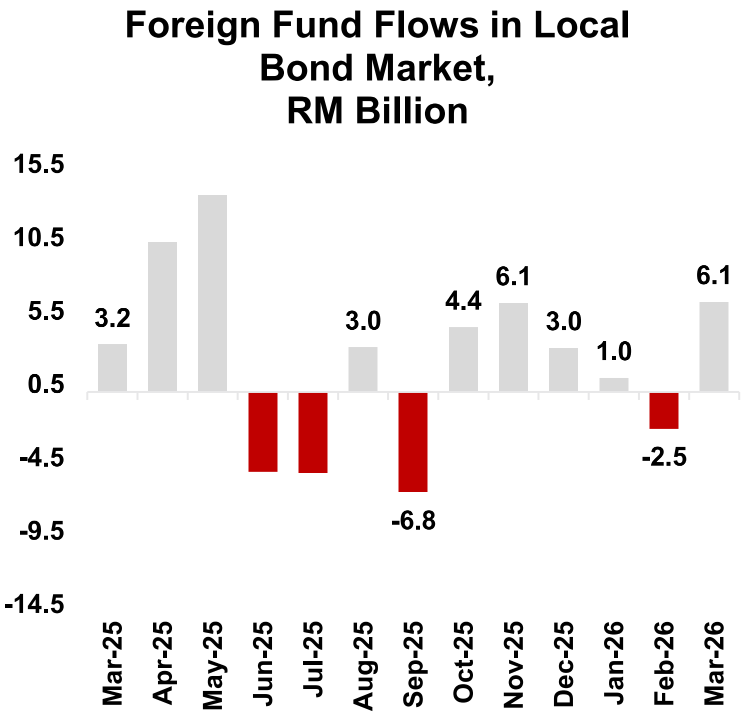
- The FBM KLCI turned positive in April, rising by 1.9% m-o-m to close at 1,722.02 after two consecutive months of decline. The local bourse gained further momentum in the second half of the month as Malaysia's advanced estimate showed resilient growth in 1Q2026, expanding by 5.3% y-o-y with broad-based sectoral gains, though moderating from 6.3% y-o-y in 4Q2025. This signals solid economic fundamentals despite mounting external pressures from the ongoing conflict in the Middle East.
- Additionally, the prolonged U.S.–Iran ceasefire, reinforced by the continuation of the Israel–Lebanon truce, helped ease fears of renewed military escalation in the Middle East, thereby lifting investor confidence and improving overall risk sentiment
- Most Bursa indices closed in the green, led by technology (+22.9%), followed by construction (+11.6%), and property (+10.4%). In contrast, finance (-0.7%) and plantation (-0.5%) recorded declines.
- Foreign investors turned net buyer in April, with a net inflow of RM0.53 billion. This lifted cumulative net foreign inflows for 2026 to RM1.7 billion.

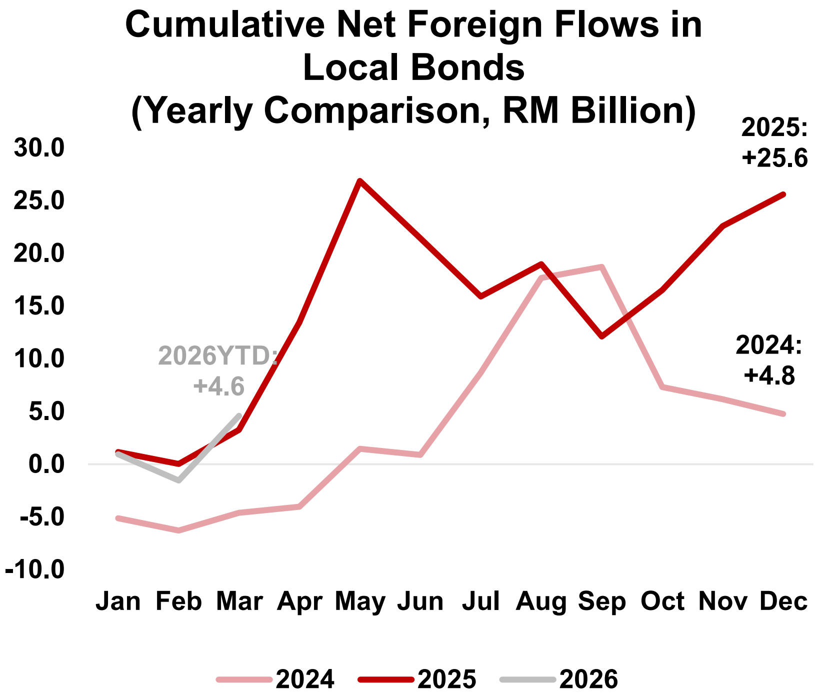
FIXED INCOME: FED HOLD LIFTS YIELDS AS INTERNAL DISSENT REACHES MULTI-DECADE HIGH

Monthly changes, basis points (bps)

UST	Yields (%) 31-Mar-26	Yields (%) 30-Apr-26	Change (bps)
3-Y UST	3.81	3.91	10
5-Y UST	3.92	4.02	10
7-Y UST	4.11	4.20	9
10-Y UST	4.30	4.40	10
MGS	**Yields (%) 31-Mar-26**	**Yields (%) 30-Apr-26**	**Change (bps)**
3-Y MGS	3.27	3.20	-7
5-Y MGS	3.44	3.34	-10
7-Y MGS	3.55	3.46	-9
10-Y MGS	3.64	3.56	-7
GII	**Yields (%) 31-Mar-26**	**Yields (%) 30-Apr-26**	**Change (bps)**
3-Y GII	3.24	3.19	-6
5-Y GII	3.41	3.32	-9
7-Y GII	3.59	3.49	-10
10-Y GII	3.64	3.57	-7

Sources: BNM, Federal Reserve Board





- The U.S. Treasury (UST) yields ticked upwards in the range of 9bps and 10bps as markets responded after the Fed held borrowing costs steady at what may be Jerome Powell's last policy meeting as chair. As expected, the central bank left the federal funds target range unchanged at 3.50%–3.75%. However, the decision revealed the deepest internal split in more than three decades, with three policymakers opposing language that hinted at a future easing stance. Their objection underscored a growing reluctance to signal rate cuts, though the retention of such wording suggests the Fed's next policy adjustment is still likely to be toward lower interest rates.
- Malaysian Government Securities (MGS) and Government Investment Issues (GII) yields ended lower in April by between 6bps and 10bps.
- Foreign fund flows in the local bond market recorded a net foreign inflow of RM6.1 billion in March (Feb: -RM2.5 billion). Consequently, local govvies' foreign shareholdings to total outstanding surged to 21.5% in March (Feb: 21.1%).
- As of the first three months 2026, the local bond market recorded the cumulative net foreign inflows of RM4.6 billion, higher than the inflows of RM3.3 billion in the same period in the previous year.

FX MARKET: RINGGIT REBOUNDED FOLLOWING THE U.S.-IRAN CEASEFIRE, INVESTOR ATTENTION REMAINS FOCUSED ON GEOPOLITICAL DEVELOPMENTS

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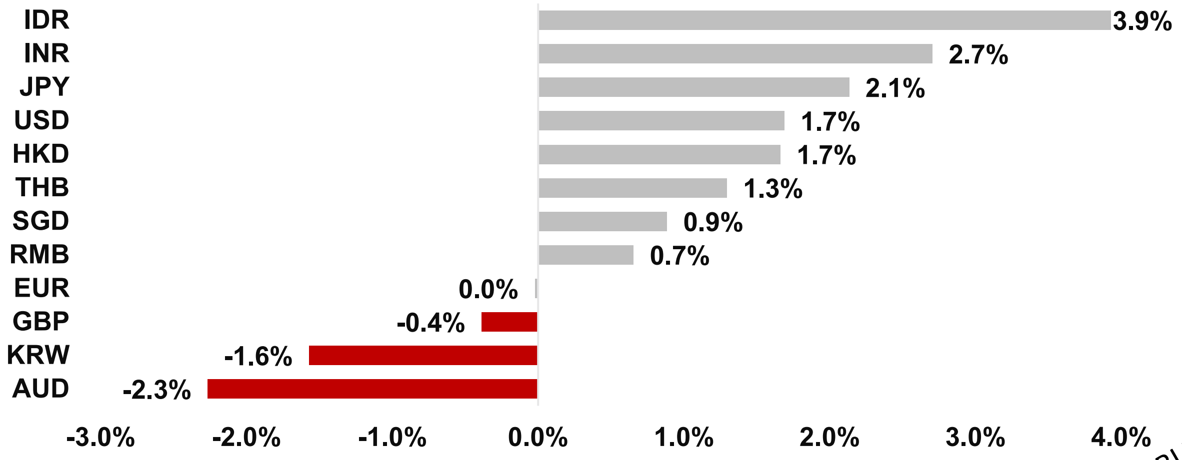
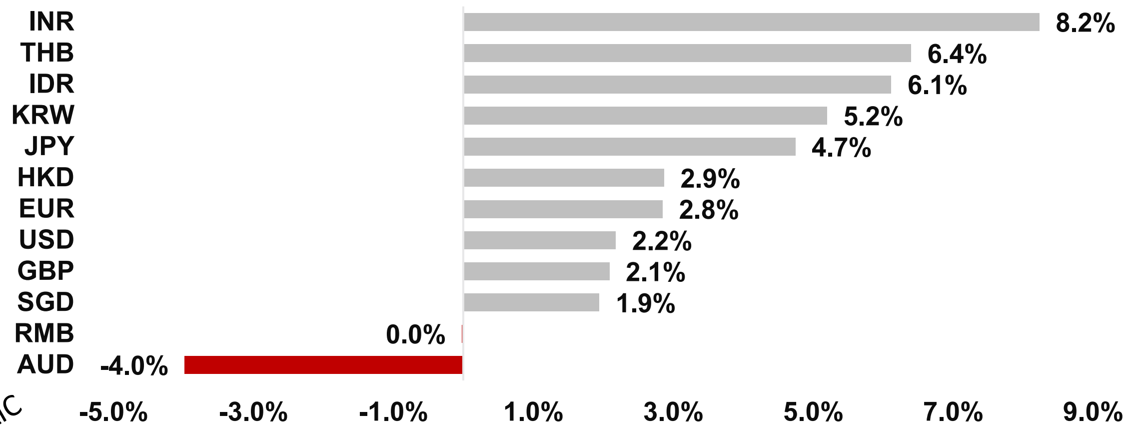
MYR Against Regional Currencies, m-o-m%



MYR Against Regional Currencies, YTD%
(As of 30 April 2026)



Sources: Bank Negara Malaysia (BNM), Federal Reserve, CEIC Data

- On the technical front, the USD index opened the month above the 100.00-level as U.S. President Donald Trump's escalating rhetoric, including threats to "blow up the entire country" if the Strait of Hormuz remained closed, caused risk sentiments to deteriorate.
- However, Trump then announced a two-week ceasefire on 7 April, paving the way for negotiations towards a lasting peace deal between both sides. Markets swiftly recalibrated as investors unwound their defensive positioning and the USD index broke decisively below the 100.00 support before proceeding past the next support around 99.00, marking a clear shift from its bullish run.
- In contrast, the USD/MYR currency pair kicked off the month above 4.00 before rallying following the USD's decline. On a monthly basis, the Ringgit rebounded by 1.7% in April while the USD index depreciated by 1.9%.
- Nevertheless, diplomatic engagements failed to produce a breakthrough which extended the environment of heightened geopolitical uncertainties, marked by contentions over the Strait of Hormuz and Iran's nuclear program. The U.S. Navy had also enforced a maritime blockade over Iranian ships, exerting further strain over U.S.-Iran tensions. As such, the USD index traded range-bound between 97.60-99.40 for the rest of the month while the USD/MYR traded between 3.9410-3.9950.
- Meanwhile, the impact of higher oil prices has begun to feed into inflation, reinforcing a "higher-for-longer" Fed stance. Although the hawkish expectations have continued to provide structural support for the USD, its near-term gains was limited as markets have fully priced in a pause at the Fed's April meeting.

SECTION 3

The Global Economy

GEOPOLICAL SHOCKWAVES TEST THE GLOBAL ECONOMY

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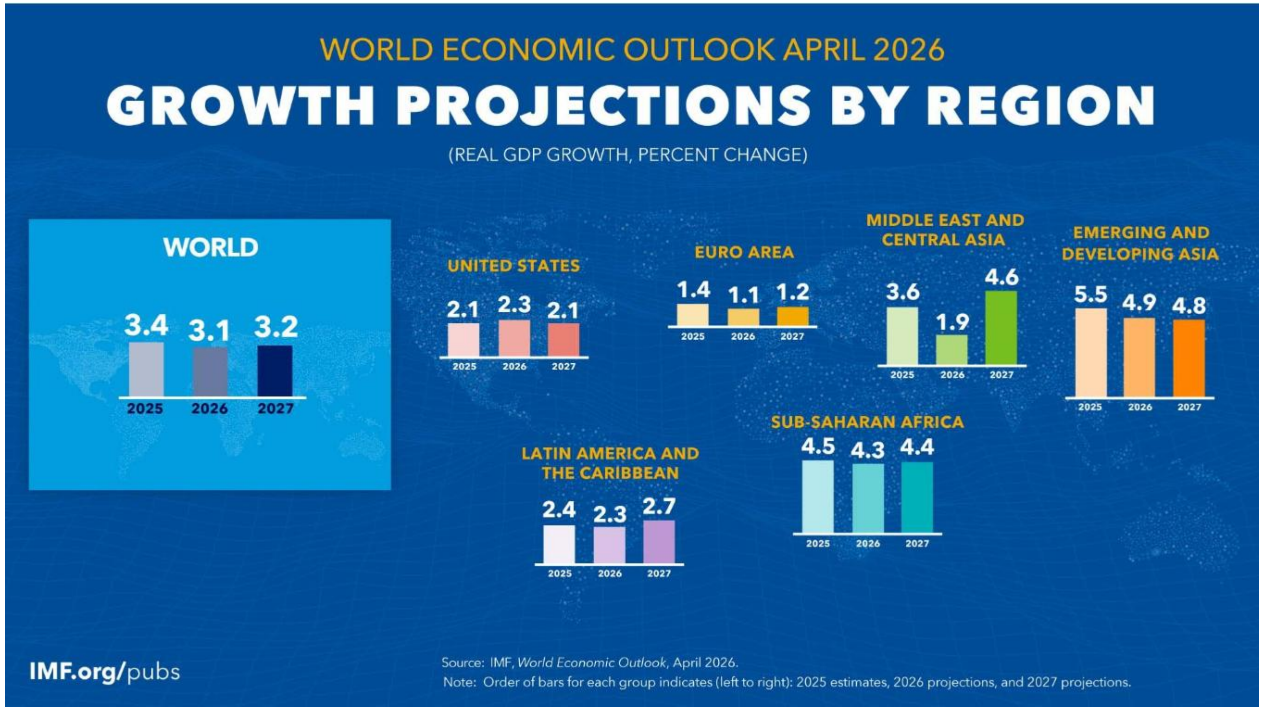
World Economic Outlook Growth Projections

(Real GDP, annual percent change)	2025	PROJECTIONS 2026	2027
World Output	3.4	3.1	3.2
Advanced Economies	1.9	1.8	1.7
United States	2.1	2.3	2.1
Euro Area	1.4	1.1	1.2
Germany	0.2	0.8	1.2
France	0.9	0.9	0.9
Italy	0.5	0.5	0.5
Spain	2.8	2.1	1.8
Japan	1.2	0.7	0.6
United Kingdom	1.3	0.8	1.3
Canada	1.7	1.5	1.9
Other Advanced Economies	3.0	2.6	2.2
Emerging Market and Developing Economies	4.4	3.9	4.2



Sources: International Monetary Fund (IMF), World Economic Outlook (WEO), April 2026

- The global economy now confronts renewed pressure from the outbreak of war in the Middle East. If the conflict remains contained, global growth is expected to ease to about 3.1% in 2026 before edging up to 3.2% in 2027. Inflation is projected to tick up slightly in 2026 and then continue its downward trend in 2027, with emerging and developing economies facing the sharpest growth slowdown and inflationary impact. Risks to this outlook are tilted heavily to the downside. A prolonged or expanded conflict, deeper geopolitical fragmentation, weaker-than-expected gains from artificial intelligence, or renewed trade frictions could significantly dampen growth and unsettle financial markets, especially given high public debt and weakening policy credibility.
- Upside potential exists if A.I.-driven productivity accelerates faster than expected or if global trade tensions ease. To manage current and future shocks, policymakers need flexible responses, strong and credible institutions, and closer international cooperation. Rising defense spending linked to geopolitical tensions may support short-term growth but could also fuel inflation, strain public finances, and reduce social spending, increasing the risk of social unrest. Where conflicts occur, long-lasting economic damage and difficult policy trade-offs tend to persist well beyond the period of active hostilities.

RESILIENT EMPLOYMENT MEETS RENEWED INFLATION RISKS IN THE U.S.

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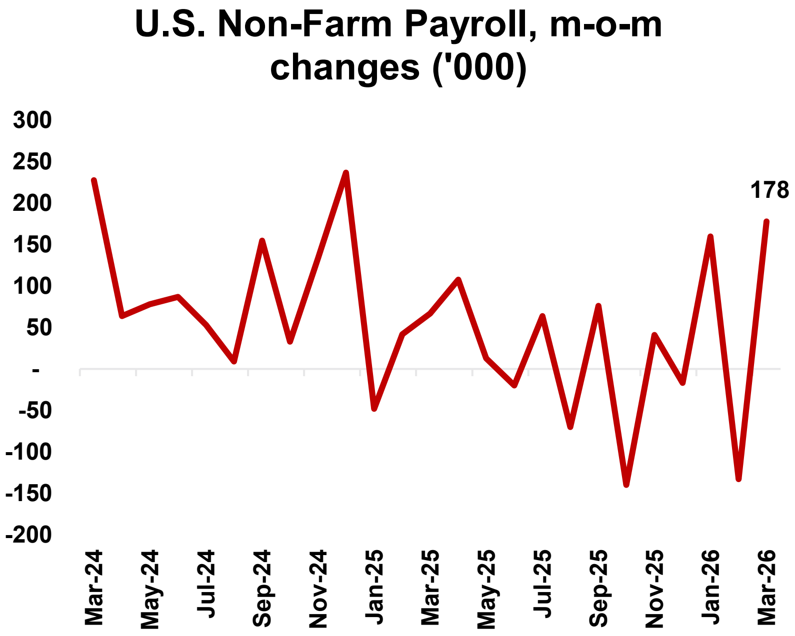
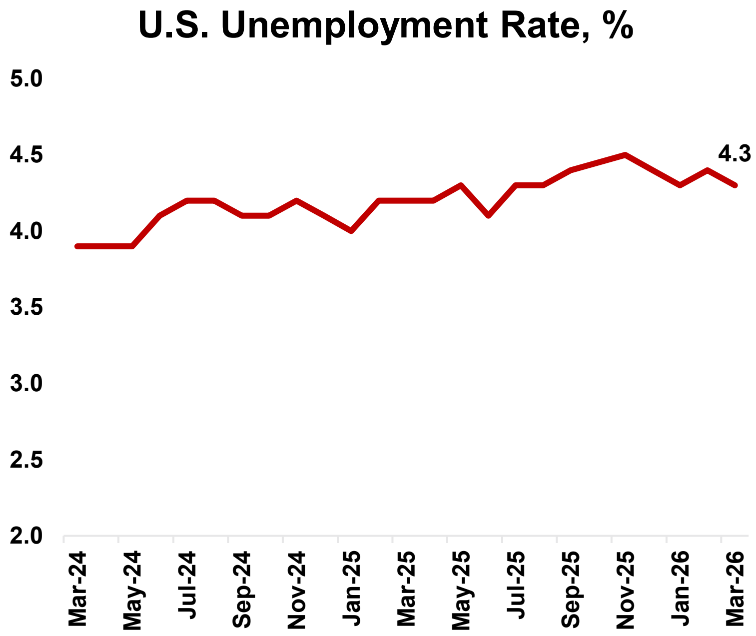
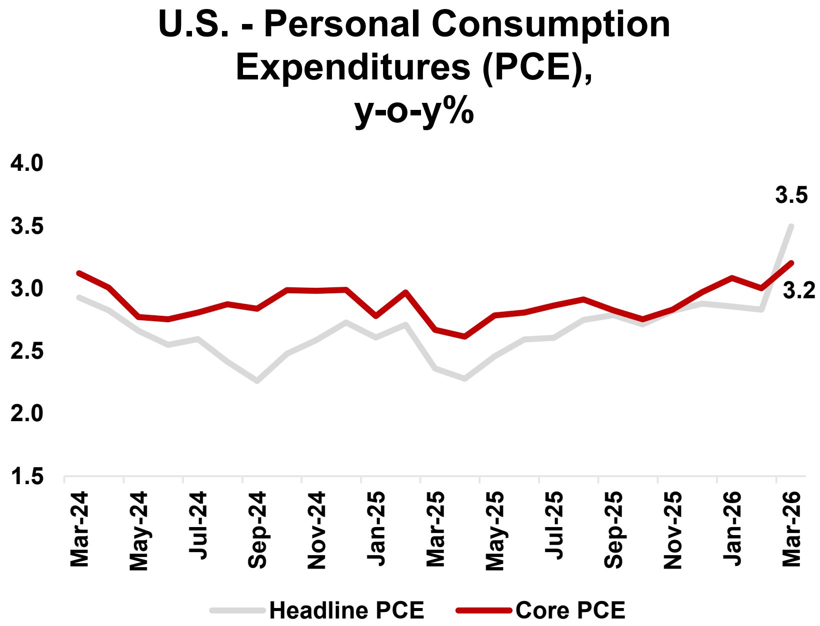


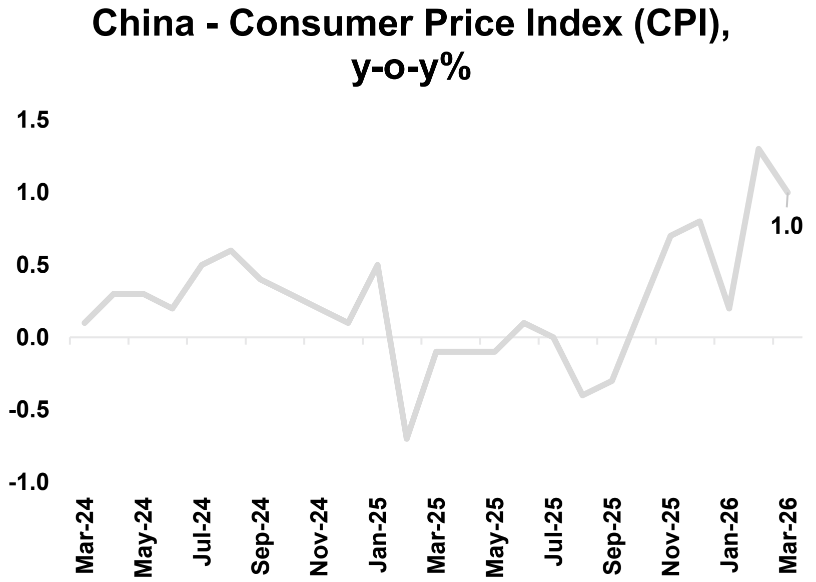


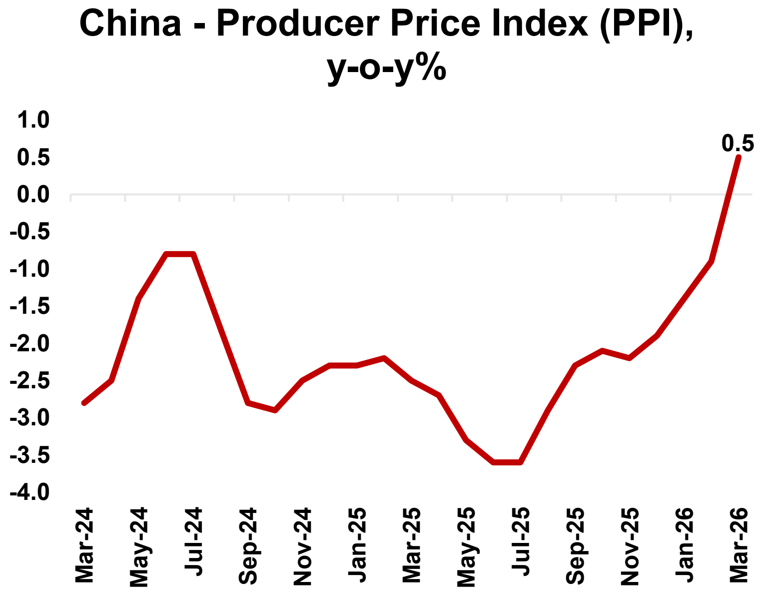


Sources: Bureau of Labor Statistics (BLS), Bureau of Economic Analysis (BEA), CEIC

- U.S. employment data showed renewed momentum in March, as hiring rebounded far more strongly than anticipated even as signs of a cooling labor market persisted. Employers added a seasonally adjusted 178K jobs during the month, reversing February's loss of 133K positions and comfortably exceeding consensus expectations of 59K. The unemployment rate dipped to 4.3% in March, largely reflecting a sharp contraction in labor force participation rather than a broad-based improvement in employment conditions.
- Price pressures intensified in March as the Iran conflict drove a sharp rise in oil prices, adding new complications for the Fed at a time when economic growth was undershooting expectations and layoffs remained near multidecade lows. Core personal consumption expenditures inflation, which strips out food and energy, accelerated to a 12-month rate of 3.2%, marking its highest reading since November 2023. Broader inflation measures that include fuel and food costs ran higher, with headline inflation reaching 3.5% on an annual basis, broadly matching market forecasts.

MIXED TRADE SIGNALS AND RISING PRICE PRESSURES SHAPE CHINA'S ECONOMIC OUTLOOK





Sources: National Bureau of Statistics, CEIC

- China's trade data showed a mixed picture in March, as export growth slowed to its weakest pace in six months amid softer global demand tied to Middle East geopolitical tensions, while imports recorded their fastest expansion in over four years. Shipments overseas rose 2.5% y-o-y in March (Feb: 39.6%). In contrast, inbound shipments jumped 27.8% (Feb: 13.8%) from a year earlier, marking the strongest increase since November 2021 and far exceeding market expectations of an 11.2% rise.
- China's inflation data showed modest acceleration in March, with the consumer price index rising 1.0% from a year earlier. Core inflation, which strips out food and energy components, edged up to 1.1% y-o-y. A closer look at the breakdown revealed that prices of manufactured goods increased 2.2%, contributing roughly 0.67 percentage points to the overall CPI gain. This was largely driven by a sharp jump in gold jewelry prices, which surged 65.8%, while fuel costs also returned to positive territory, with gasoline prices climbing 3.8%.
- Producer prices returned to annual growth in March, ending a prolonged 41-month contraction. The producer price index—which tracks prices at the factory gate—rose 0.5% from a year earlier, a notable reversal from February's 0.9% decline. The improvement was driven largely by rising imported cost pressures and firmer supply-demand conditions across several domestic industries.

SECTION 4

Central Bank

GLOBAL CENTRAL BANKS COVERGE TOWARD A MORE HAWKISH STANCE

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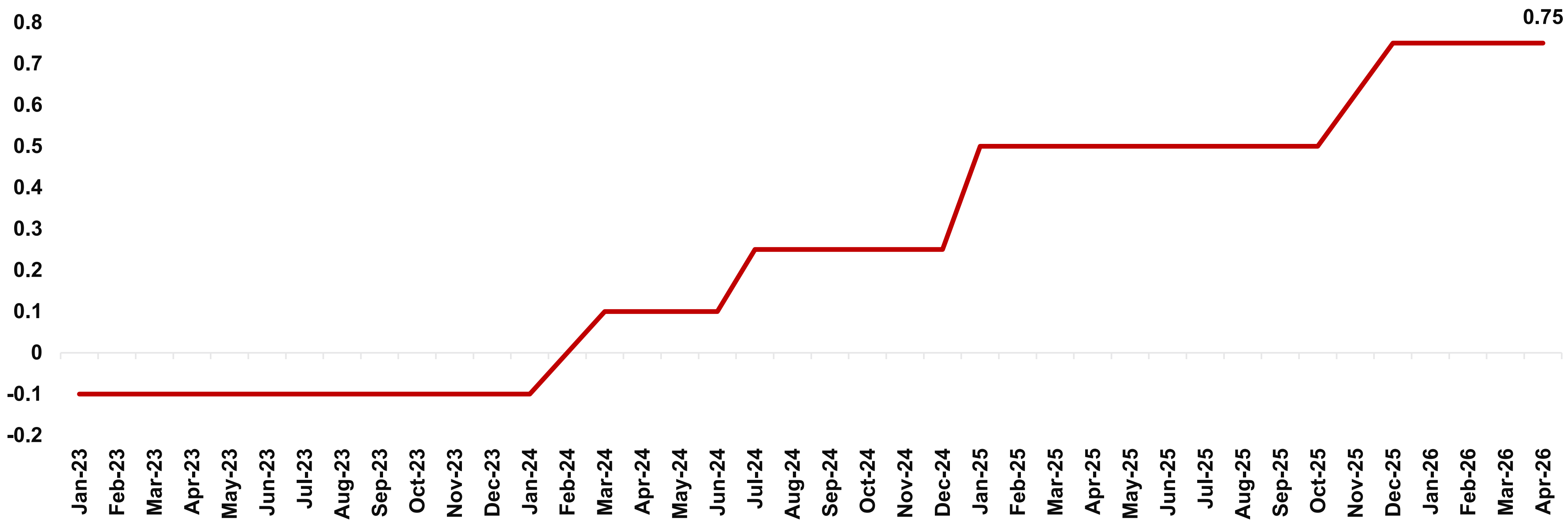
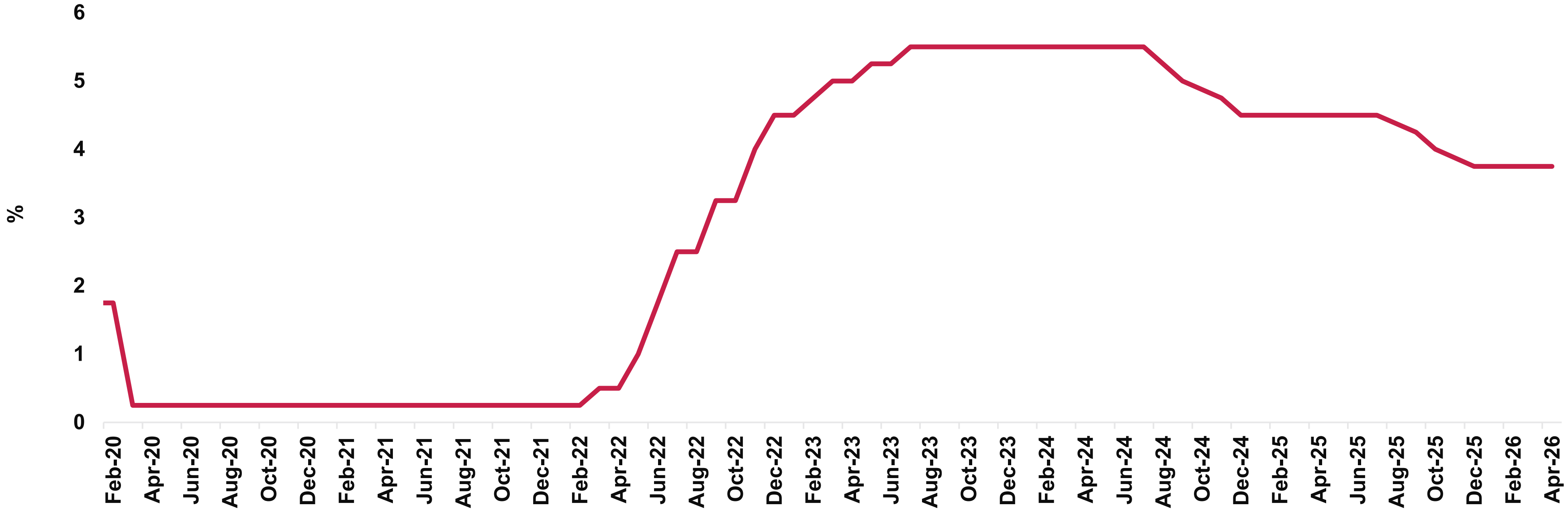
Bank of Japan held its policy rate at 0.75%



Sources: Bloomberg

- The Bank of Japan (BOJ) held its policy rate at 0.75% in a 6-3 vote. Updated forecasts highlight the risk of stagflation, with FY26 growth revised sharply lower to 0.5%, from 1.5% and core inflation now expected to remain above 2% through to FY28. With Japanese firms increasingly willing to pass on costs, the Middle East conflict risks amplifying domestic inflationary pressures.
- The BOJ remains focused on restoring the policy rate as an effective policy lever. Further hikes were signalled, but the timing left open. With policy settings still considered accommodative and a weak yen threatening import inflation, consensus anticipate the next hike to occur in June, though there is a risk it is delayed to July. The Financial Statements Statistics update due on 1 June will be an important release to gauge firms' response to the crisis and the implications for both inflation and activity.

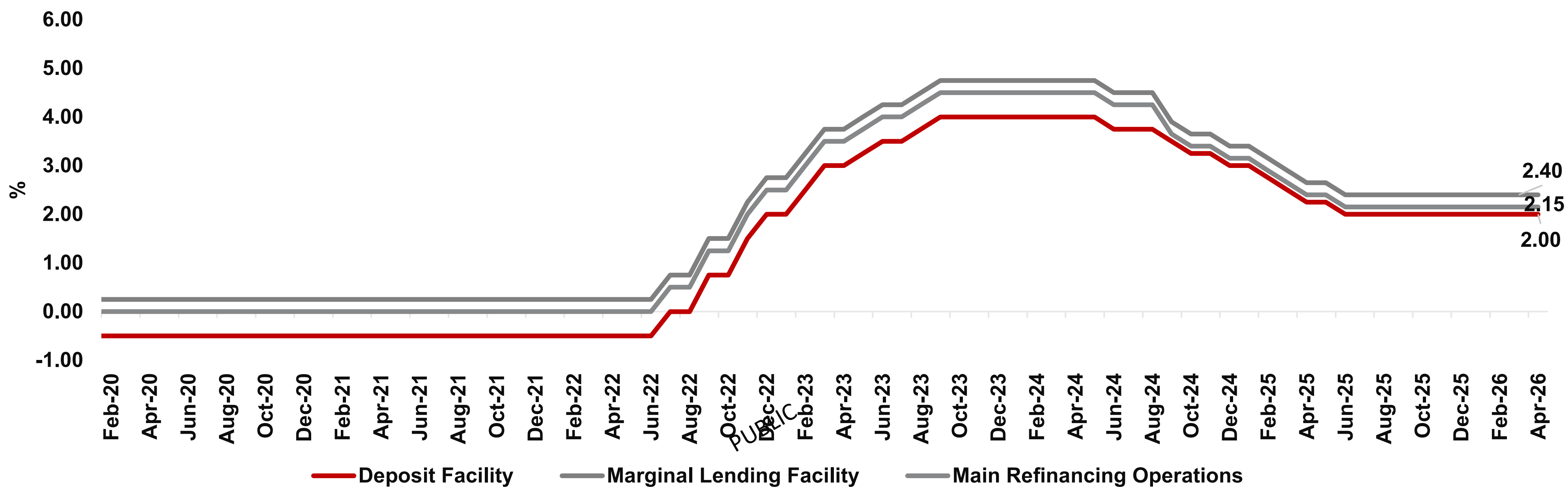
THE FOMC KEPT THE STANCE OF POLICY UNCHANGED AT ITS APRIL MEETING



Sources: Bloomberg

- The Federal Reserve remains on hold at 3.50%–3.75%, however, internal divisions have become more visible, with an unusually high number of dissents highlighting ongoing concerns over inflation persistence.
- The tone of the statement was balanced, with a sanguine view on GDP growth and the labour market and inflation simply characterised as “elevated”. The statement also noted that “the Committee is attentive to the risks to both sides of its dual mandate”, while Chair Powell remarked in the press conference that, in his view, policy is in a good place to take time to monitor conditions, being at the “high end of neutral, perhaps mildly restrictive”.
- The broader Fed stance remains one of patience, with no immediate urgency to tighten further

ECB OPTED TO MAINTAIN ITS CURRENT POLICY STANCE



Source: CEIC Data

- The ECB Governing Council opted to maintain its current policy stance. The ECB acknowledged that “upside risks to inflation and downside risks to growth have intensified” and the merits of a rate hike were discussed, but developments to date were not sufficient to convince the Governing Council to take immediate action – the decision to hold was unanimous.
- At its previous meeting in March, the ECB presented two downside scenarios alongside its baseline. In the April press conference, President Lagarde was reluctant to discuss the details of those scenarios, noting simply that conditions are diverging from March’s baseline and the upcoming six weeks “will be the right time” to assess the economy “in order to make an informed decision”. Her comments appeared carefully chosen to signal openness to a rate increase in June. Therefore, barring any major changes in the dynamics of the Middle East conflict, consensus continue to believe that a 25bp policy rate hike is the most probable outcome at the next meeting.

THE BANK OF ENGLAND KEPT THE BANK RATE UNCHANGED AT 3.75%

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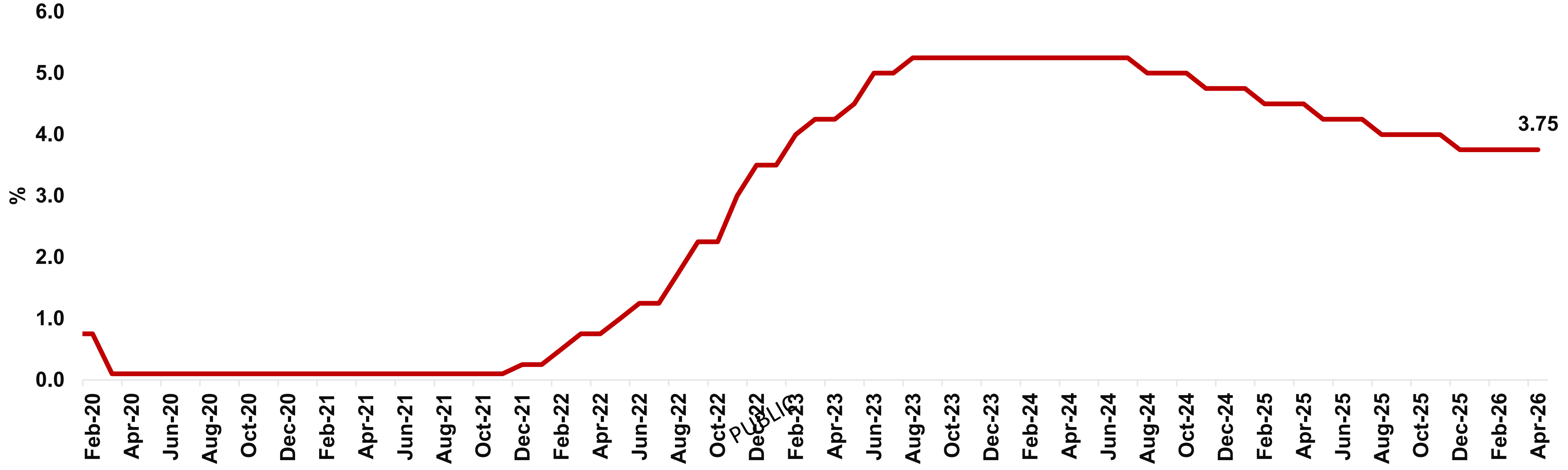

Source: CEIC Data

- The Bank of England's April meeting also unfolded broadly as expected, the MPC voting 8-1 to keep the policy rate at 3.75%.
- The policy statement maintained a hawkish bias, however, emphasising the potential impact of the energy price shock – its scale and duration – on UK inflation and the committee's readiness to act to ensure inflation returns to the 2% target. Policy makers also showed concern over economic growth and the labour market, with slack increasing prior to the conflict.
- The Governor declined to specify what interest rate changes this would entail, but noted the need to act quickly to minimise second-round effects. Bank Rate hikes this year are therefore not guaranteed, but with Brent Oil surging as the US and Iran remained at an impasse, conditions may eventually become too close to the BoE's most severe scenario for the MPC to ignore
- Consensus continue to expect a Bank Rate hike at the next policy meeting in June, with further tightening possible, but dependent on evolving circumstances.

SECTION 5

Domestic Landscape & Banking Sector Update

MALAYSIA'S PRODUCER PRICES REFLECTED HIGHER GLOBAL OIL PRICES WHILE AIR-TRAVEL AND DIESEL COSTS SURGED FOR CONSUMERS

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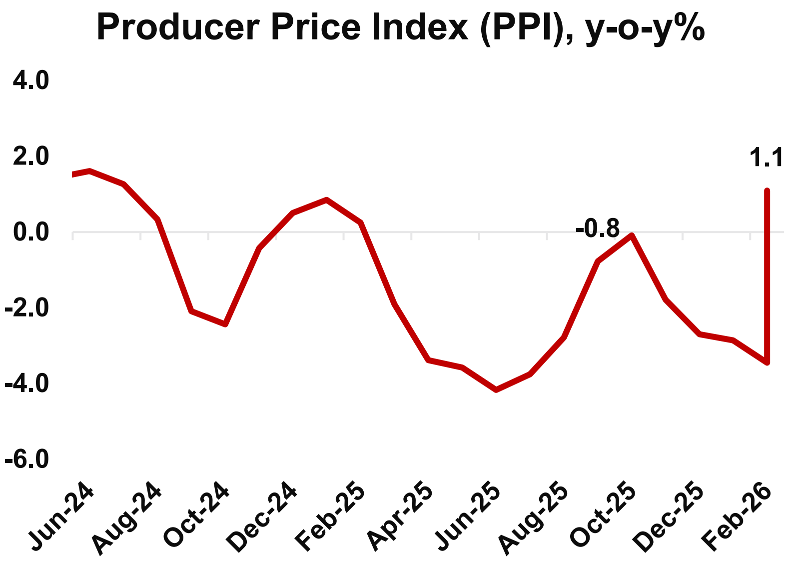


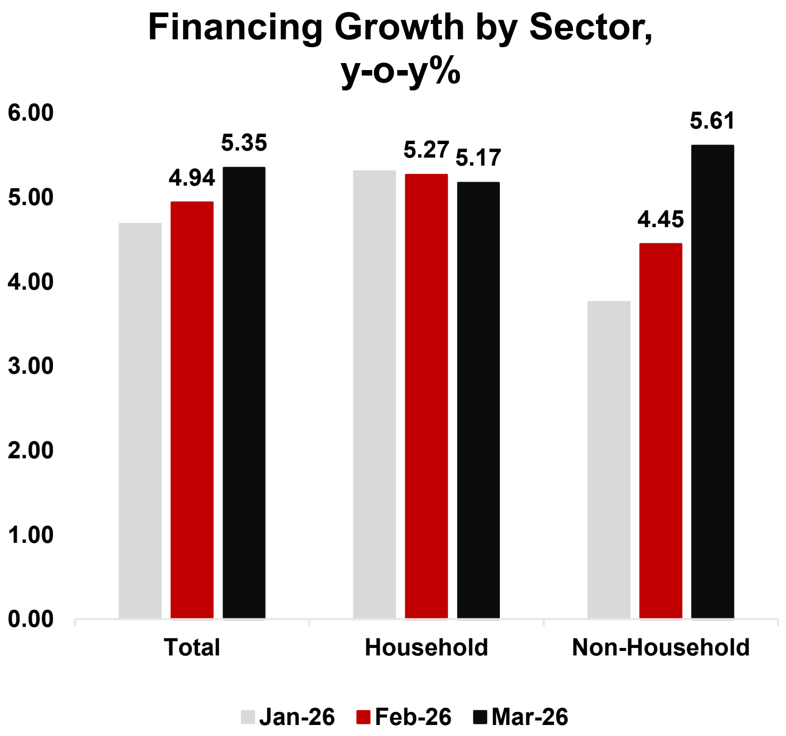
Sources: DOSM, CEIC Data

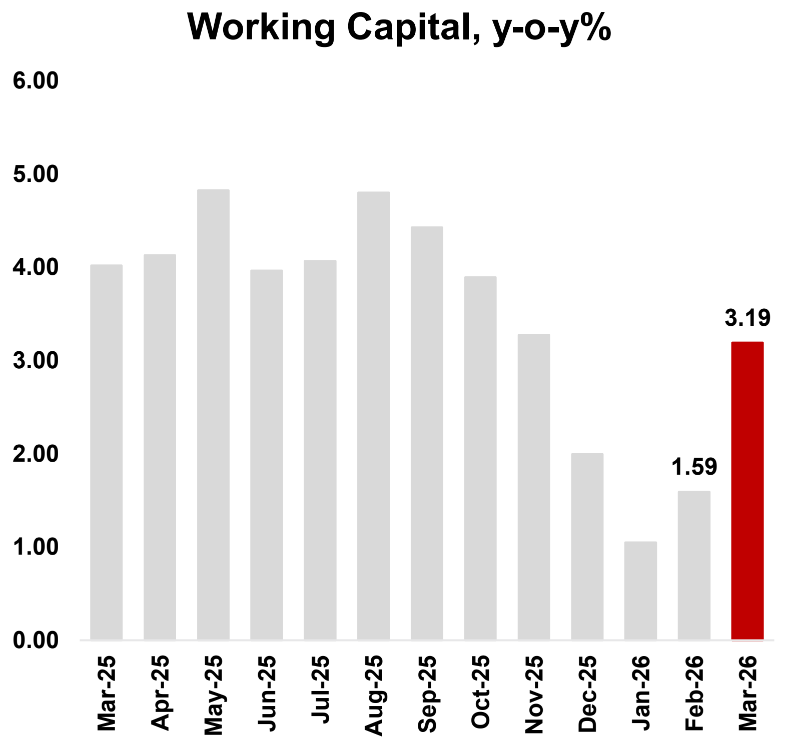
PPI by Sector, y-o-y%	Mar-25	Jan-26	Feb-26	Mar-26
Agriculture, Forestry & Fishing	9.9	-8.3	-8.7	-5.6
Mining	-15.0	-11.7	-8.5	26.5
Manufacturing	-1.8	-1.7	-2.7	-0.8
Electricity & Gas Supply	-0.5	4.9	4.7	9.6
Water Supply	0.7	10.2	11.9	11.3

CPI: Transport, y-o-y%	Mar-25	Jan-26	Feb-26	Mar-26
Transport (TP)	0.7	-0.7	-0.7	1.6
Purchase of Vehicles	0.7	0.2	-0.4	-0.5
Operation of Personal Transport Equip (OP)	1.3	-1.0	-1.2	1.5
Diesel	17.5	-2.8	-3.2	16.6
Petrol	-0.4	-2.7	-3.0	0.5
Transport Services (TS)	-5.3	0.8	3.8	7.0
Sea	0.6	1.1	0.6	0.6
Air	-22.5	-1.6	11.5	25.8
Bus & Coach	1.2	1.2	0.6	1.6
Rail	0.3	-0.3	-0.4	-0.5
Transport Services of Goods	2.0	-1.4	-1.9	-1.9

- The impact of energy supply disruptions and elevated oil prices amid the escalation of U.S.-Iran geopolitical tensions is increasingly more evident at the production level, particularly in the Mining and Utilities sectors.
- Reflecting the rising cost pressures, Malaysia's Producer Price Index (PPI) rebounded to 1.1% in March (Feb: -3.5%), reversing a 12-month streak of declines. The growth was primarily driven by sharp increases in Mining (Mar: 26.5% vs. Feb: -8.5%), Electricity & Gas Supply (Mar: 9.6% vs. Feb: 4.7%), and Water Supply indices (Mar: 11.3% vs. Feb: 11.9%).
- Within the mining sector, higher oil prices lifted the extraction of crude petroleum (+38.5% y-o-y) while the increase in Electricity & Gas Segment was fueled by higher electric power generation, transmission and distribution costs (+10.7% y-o-y). Meanwhile, the elevated Water Supply PPI continues to reflect the lagged impact of water tariff adjustments implemented last year.
- In contrast, Malaysia's Consumer Price Index (CPI) has remained relatively manageable thus far, supported by ongoing price control measures and fuel subsidies, despite the recent reduction in the BUDI95 monthly quota. Headline inflation rose to 1.7% in March (February: 1.4%), while core inflation edged up to 2.1% (February: 2.0%).
- Nonetheless, underlying price dynamics suggest that higher oil prices had directly fed through to transport-related inflation, causing it rebound sharply to 1.6% in March (February: -0.7%), marking the highest reading since April 2023.

BANKING SECTOR: FINANCING GROWTH STRENGTHENED BY NON-HOUSEHOLD RALLY IN MARCH

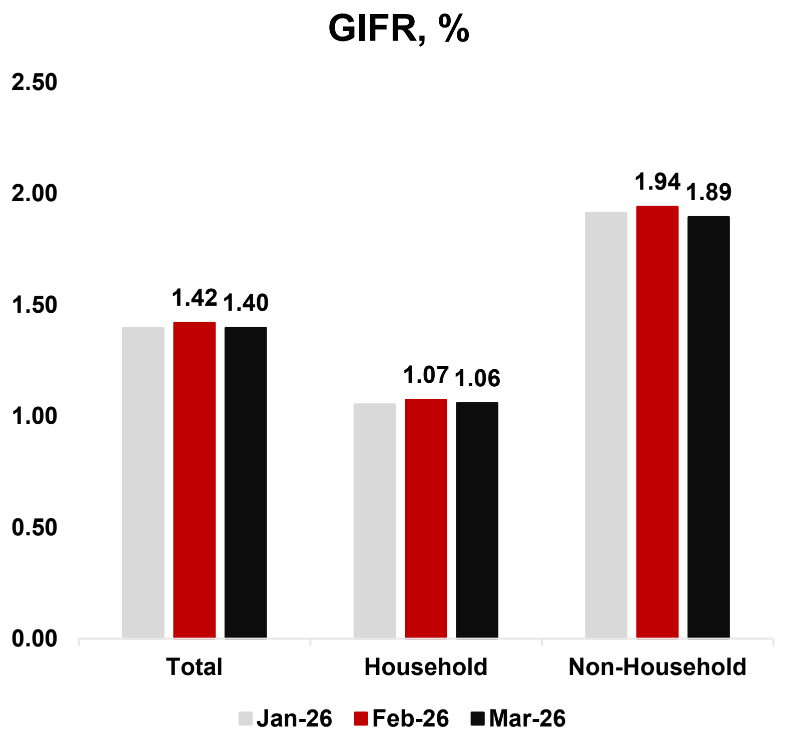


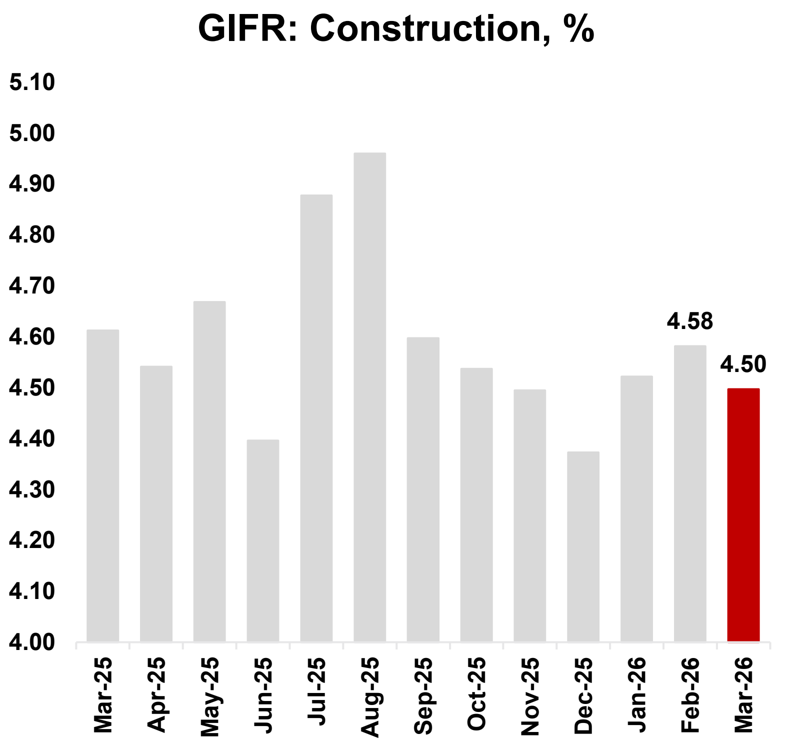


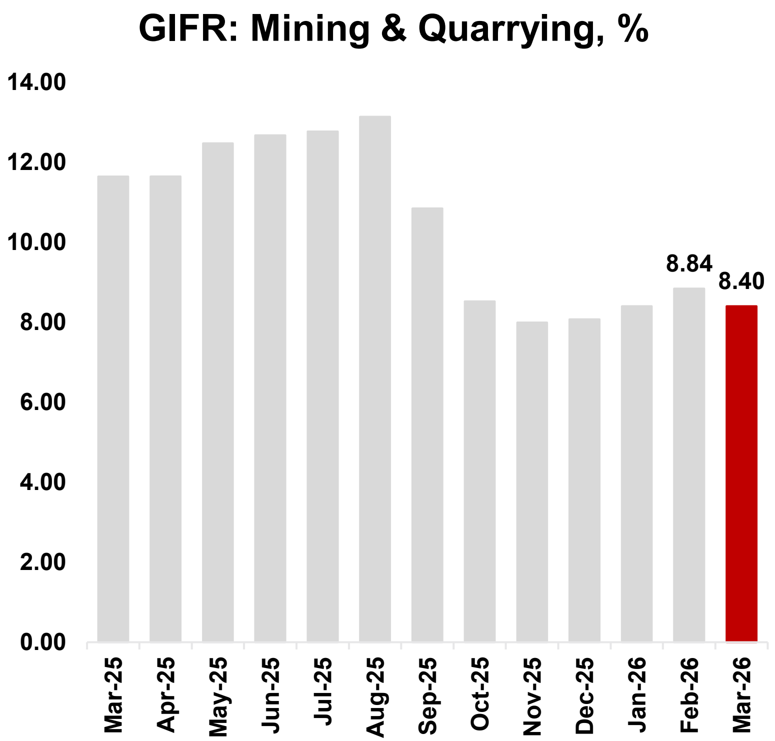
Source: BNM

- Financing activities picked up in March, driven by a significant increase in non-household financing, which rose to 5.61% from 4.45% in February, offsetting slower household financing (5.17; February: 5.27%).
- By purposes, working capital financing rallied to 3.19% in March 2026, from 1.59% in the previous month, reflecting stronger liquidity needs among businesses to manage rising costs. Meanwhile, residential property financing continued to moderate to 5.58% from 5.69% amid cautious household sentiment that has curbed demand.
- At the same time, credit card financing growth slowed to 6.03% in March, down from 6.77% in February.

BANKING SECTOR: FINANCING ASSET QUALITY IMPROVES IN MARCH







Source: BNM

- Total gross impaired financing ratio (GIFR) in the banking sector decreased slightly in March to 1.40% from 1.42%, suggesting an improvement in overall asset quality, with lower GIFR recorded in both household and non-household segments.
- The impairment ratio in the household segment inched down to 1.06% (February: 1.07%), while impairment in the non-household segment declined to 1.89% from 1.94% in February, reflecting healthier repayment behavior and marginally improved liquidity conditions, supported by cautious lending practices in Malaysia.
- Asset quality in construction and mining and quarrying strengthened in March, with the GIFR falling to 4.50% in March (February: 4.58%) and 8.40% (February: 8.84%), respectively.

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THANK YOU