BANK ISLAM

# MONTHLY ECONOMIC UPDATE

## 2 NOVEMBER 2026

**ECONOMIC RESEARCH**

IMRAN NURGINIAS IBRAHIM
FARAH ZAZREEN ZAINUDIN
KHAYRIN FARZANA FAZLI

# KEY TAKEAWAYS

- **The IMF released its latest World Economic Outlook (WEO) on 13th October and projected the global economic growth to grow at 3.1% in 2026 before improving to 3.4% in 2027**. Meanwhile, global headline inflation is expected to rise to 4.7% in 2026 before easing to 4.1% in 2027, reflecting higher energy and food prices. The outlook highlights an increasingly uneven recovery, with AI-driven investment and favourable terms of trade supporting some economies. In contrast, energy-importing economies outside the technology value chain face more challenging conditions. The institution identified geopolitical escalation, renewed trade tensions, fiscal vulnerabilities and a potential reassessment of AI investment as key downside risks.

- **Major central banks mostly kept their policy rates unchanged in October despite persistent inflation risks**. The U.S. Federal Reserve kept its federal funds rate unchanged at 3.75%-4.00% on 28 October, following a 25bps increase in September as policymakers assessed persistent inflationary pressures and the resilience of economic activity. Likewise, the European Central Bank (ECB) maintained its deposit facility rate at 2.50% on 29 October with higher energy prices posing upside risks to inflation while weighing on growth prospects. Meanwhile, the Bank of Japan (BOJ) held its policy rate steady at 1.25% on 30 October, but adopted a more hawkish tone, signalling that further policy tightening remains possible as underlying inflation moves closer to its target. In contrast, the Bank of Canada raised its policy rate by 25bps to 2.50%, marking its first-rate hike in more than three years.

PUBLIC

- **China's economy expanded by 4.5% y-o-y in 3Q26, accelerating from 4.3% growth registered in the previous quarter and exceeding market expectations of 4.4%**. Growth was supported by stronger exports, particularly technology-related shipments amid continued AI-driven demand. Nevertheless, domestic consumption continuing to lag behind the export sector. The divergence between export performance and household spending highlights the difficulty of achieving a more balanced recovery. In the IMF October 2026 WEO, China's GDP growth has been trimmed by 0.1ppt to 4.5%, warranting that robust exports are no longer sufficient to fully offset persistent weakness in domestic demand and it lies at the lower end of Beijing's growth target for 2026.

- According to the Department of Statistics Malaysia (DOSM), **Malaysia's economy is expected to grow by 5.3% y-o-y in 3Q26, moderating from 6.0% in 2Q26**. The growth momentum was primarily supported by continued expansion in the services (5.4%), manufacturing (7.5%) and construction (6.0%) sectors, alongside a recovery in the agriculture sector. In contrast, the mining sector declined by 4.9%, largely due to lower crude oil and condensate production. External trade remained robust, with exports rising 54.5% y-o-y to RM215.1 billion in September, underpinned by strong growth in manufacturing exports (+58.6% y-o-y), particularly E&E products (+69.2%).

BANK ISLAM

# SECTION 1

## Economic Pulse at a Glance

# THE HEAT MAP OF KEY ECONOMIC INDICATORS

| Period | Apr-26 | May-26 | Jun-26 | Jul-26 | Aug-26 | Sep-26 | 4Q25 | 1Q26 | 2Q26 | 3Q26 | 2024 | 2025 | 2026f |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Country | Industrial Production Index (IPI), y-o-y % | | | | | | GDP, y-o-y % | | | | GDP, y-o-y % | | GDP Projection, IMF |
| U.S. | 1.2 | 1.8 | 1.3 | 1.3 | 1.8 | 1.6 | 2.0 | 2.6 | 2.2 | 2.1 | 2.8 | 2.3 | 2.3 |
| Euro | 0.2 | -0.1 | -0.2 | -0.3 | -1.1 | - | 1.5 | 0.9 | 1.5 | - | 1.1 | 1.2 | 1.1 |
| UK | 1.1 | -1.2 | 2.1 | 0.9 | 2.5 | - | 0.7 | 0.9 | 1.7 | - | 1.1 | 1.2 | 1.3 |
| Japan | 2.0 | -2.1 | 4.9 | 3.9 | 2.7 | 1.9 | 0.4 | 0.6 | 0.9 | - | -0.2 | 1.2 | 0.7 |
| China | 4.1 | 4.5 | 5.3 | 4.5 | 5.2 | 5.5 | 4.5 | 5.0 | 4.3 | 4.5 | 5.0 | 5.0 | 4.5 |
| Singapore | 13.7 | 17.9 | 8.3 | 7.5 | 15.4 | 3.4 | 5.7 | 6.4 | 6.2 | 5.4 | 5.3 | 5.0 | 5.0 |
| Malaysia | 8.2 | 8.5 | 6.5 | 4.7 | 5.0 | - | 6.2 | 5.4 | 6.0 | - | 5.1 | 5.2 | 5.2 |
| Indonesia | NA | NA | -5.6 | NA | NA | 1.7 | 5.4 | 5.6 | 5.3 | - | 5.0 | 5.1 | 5.1 |
| Thailand | 3.5 | 2.1 | 0.7 | 4.0 | 4.4 | 2.1 | 2.5 | 2.8 | 1.9 | - | 2.9 | 2.4 | 2.1 |
| Philippines | 10.7 | 10.1 | 11.2 | 6.7 | 11.8 | - | 3.0 | 2.8 | 2.3 | - | 5.7 | 4.4 | 3.4 |
| Vietnam | 10.6 | 10.1 | 12.9 | 15.4 | 13.5 | 16.7 | 8.5 | 8.1 | 8.8 | 9.9 | 7.0 | 8.0 | 8.4 |

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*

BANK ISLAM

# THE HEAT MAP OF KEY ECONOMIC INDICATORS

| Period | Jul-26 | Aug-26 | Sep-26 | Jul-26 | Aug-26 | Sep-26 | Jul-26 | Aug-26 | Sep-26 | Jul-26 | Aug-26 | Sep-26 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Country | Manufacturing PMI | | | Exports, y-o-y % | | | Retail Sales, y-o-y % | | | Unemployment Rate, % | | |
| U.S. | 53.9 | 53.9 | 55.9 | 12.6 | 14.1 | 12.5 | 4.5 | 5.6 | 6.3 | 4.4 | 4.3 | 4.0 |
| Euro | 51.9 | 52.7 | 52.9 | 7.9 | 9.4 | - | 0.4 | 0.8 | - | 6.5 | 6.5 | 6.5 |
| UK | 51.9 | 51.7 | 51.9 | 4.3 | 8.5 | - | 3.8 | 6.3 | 5.7 | 4.9 | 4.7 | - |
| Japan | 54.5 | 54.9 | 54.1 | 23.2 | 19.3 | 16.5 | 3.7 | 2.9 | 2.4 | 2.4 | 2.6 | 2.4 |
| China | 50.9 | 51.5 | 52.1 | 23.9 | 24.9 | 36.3 | 0.6 | 0.4 | 1.1 | 5.2 | 5.3 | 5.2 |
| Singapore | 51.4 | 51.5 | 51.7 | 40.5 | 49.2 | 51.5 | -1.5 | -2.7 | - | NA | NA | 1.9 |
| Malaysia | 50.7 | 50.2 | 49.9 | 38.0 | 45.4 | 54.5 | 6.7 | 5.6 | - | 3.0 | 2.9 | - |
| Indonesia | 50.2 | 49.8 | 52.4 | 6.0 | 6.7 | - | 1.2 | 1.3 | 1.4 | NA | NA | NA |
| Thailand | 54.2 | 53.8 | 54.3 | 21.5 | 29.7 | 25.3 | -5.9 | 15.2 | - | 1.1 | 1.2 | 0.9 |
| Philippines | 51.8 | 54.9 | 49.6 | 10.9 | 28.3 | 35.6 | NA | NA | NA | 6.0 | 5.3 | - |
| Vietnam | 52.9 | 53.3 | 51.9 | 25.0 | 26.0 | 39.2 | 15.1 | 13.6 | 13.7 | NA | NA | 2.2 |

Positive
Neutral
Negative

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

# THE HEAT MAP OF KEY ECONOMIC INDICATORS

BANK ISLAM

| Period | Apr-26 | May-26 | Jun-26 | Jul-26 | Aug-26 | Sep-26 | Apr-26 | May-26 | Jun-26 | Jul-26 | Aug-26 | Sep-26 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Country | Consumer Price Index (CPI), y-o-y % | | | | | | Producer Price Index (PPI), y-o-y % | | | | | |
| U.S. | 3.8 | 4.2 | 3.5 | 3.4 | 3.4 | 3.7 | 5.7 | 5.9 | 5.6 | 4.9 | 5.6 | 6.3 |
| Euro | 3.2 | 3.3 | 2.9 | 3.0 | 3.2 | 3.8 | 3.9 | 4.9 | 4.4 | 5.2 | 7.3 | |
| UK | 2.8 | 2.8 | 2.6 | 2.9 | 3.1 | 3.5 | 4.1 | 3.8 | 3.4 | 3.3 | 3.9 | 4.6 |
| Japan | 1.3 | 1.5 | 1.7 | 1.9 | 1.9 | 2.1 | 5.5 | 6.8 | 7.5 | 7.7 | 7.6 | 6.8 |
| China | 1.2 | 1.2 | 1.0 | 0.5 | 0.8 | 0.9 | 2.8 | 3.9 | 4.1 | 3.5 | 3.8 | 5.0 |
| Singapore | 1.8 | 1.8 | 1.9 | 2.2 | 2.3 | 2.2 | 27.5 | 30.9 | 31.1 | 35.4 | 40.1 | 47.5 |
| Malaysia | 1.9 | 2.0 | 1.9 | 1.8 | 1.9 | 1.8 | 5.4 | 7.8 | 9.2 | 9.7 | 10.7 | 12.0 |
| Indonesia | 2.4 | 3.1 | 3.3 | 2.9 | 3.2 | 3.3 | 3.8 | 5.8 | 6.5 | 5.7 | 6.2 | 6.8 |
| Thailand | 2.9 | 2.8 | 2.4 | 1.9 | 2.5 | 2.8 | 9.1 | 8.5 | 7.2 | 7.3 | 9.1 | 10.5 |
| Philippines | 7.2 | 6.8 | 6.4 | 6.2 | 6.1 | 7.2 | 3.1 | 3.5 | 3.2 | 3.1 | 3.2 | 3.4 |
| Vietnam | 5.5 | 5.6 | 4.7 | 4.4 | 4.9 | 5.1 | NA | NA | 3.1 | NA | NA | 0.5 |

Positive
Neutral
Negative

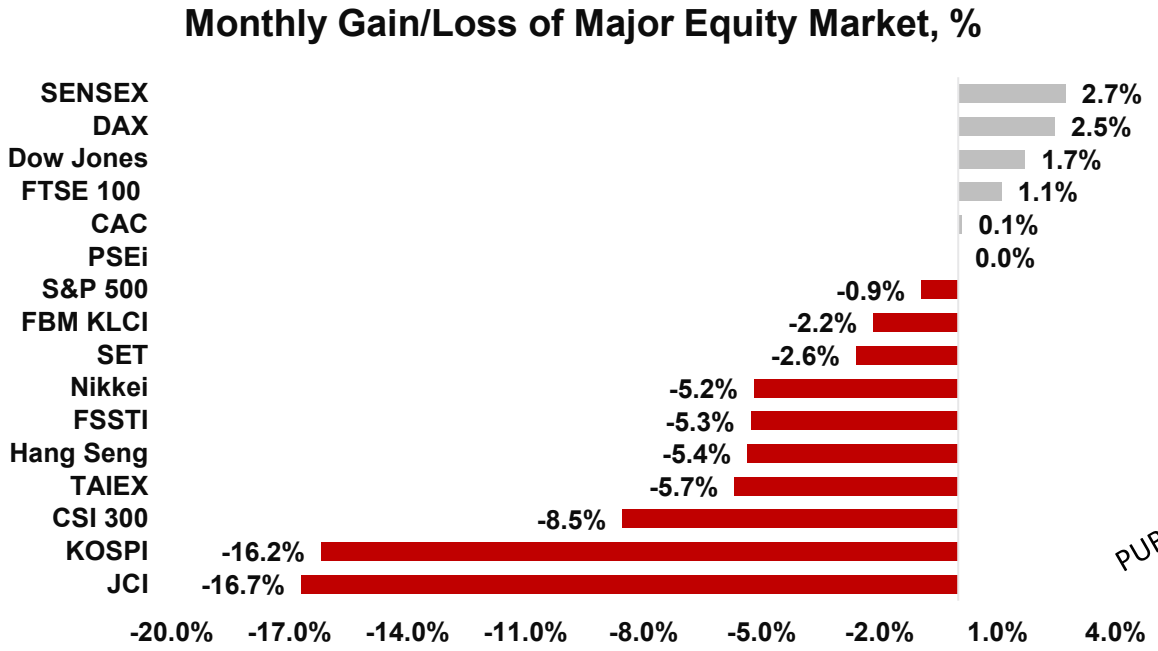
*Sources: CEIC, Bloomberg, Trading Economics, Bank Islam*
*Note: NA – Data not available, Vietnam's PPI is published on a quarterly basis*

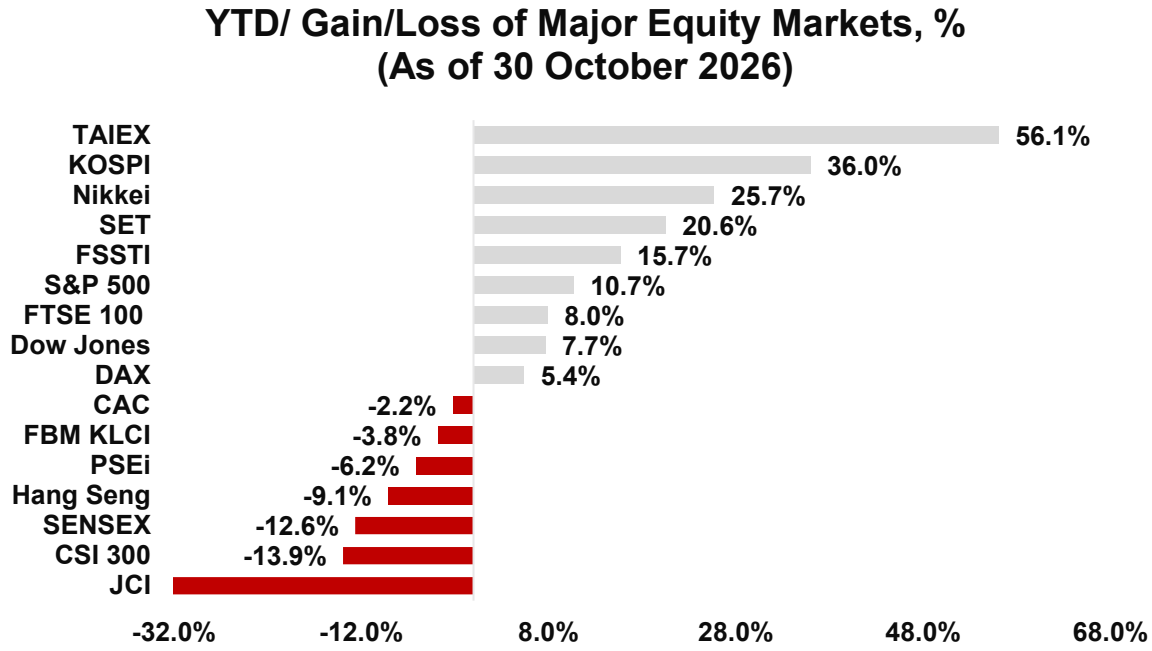
BANK ISLAM

# SECTION 1

## Malaysia’s Financial Market

# REGIONAL EQUITY: GLOBAL EQUITY MARKETS CLOSED IN A SEA OF RED AS SENTIMENTS TURNED SUBDUED ON GLOBAL AI UPCYCLE



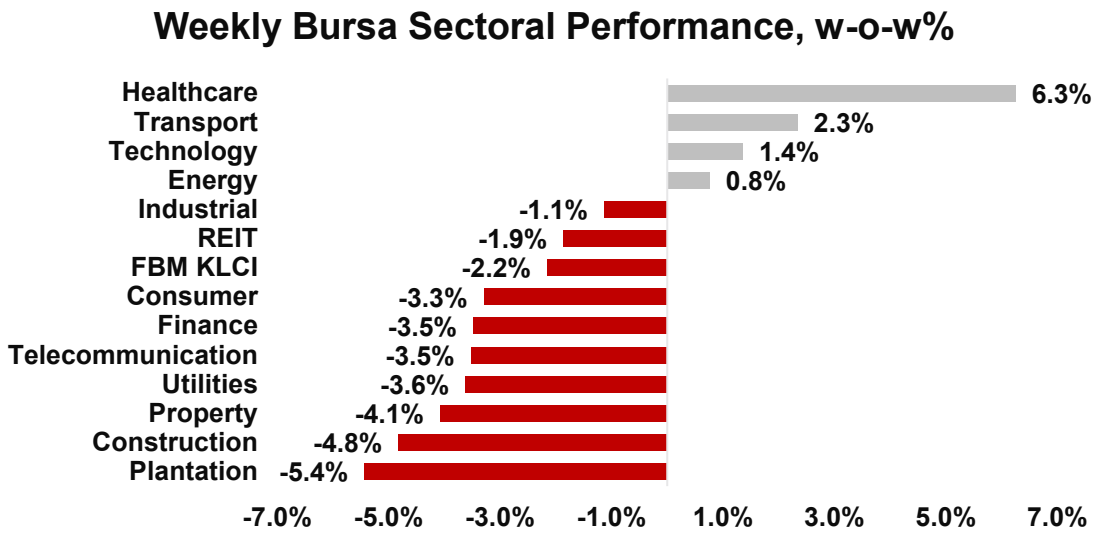

PUBLIC

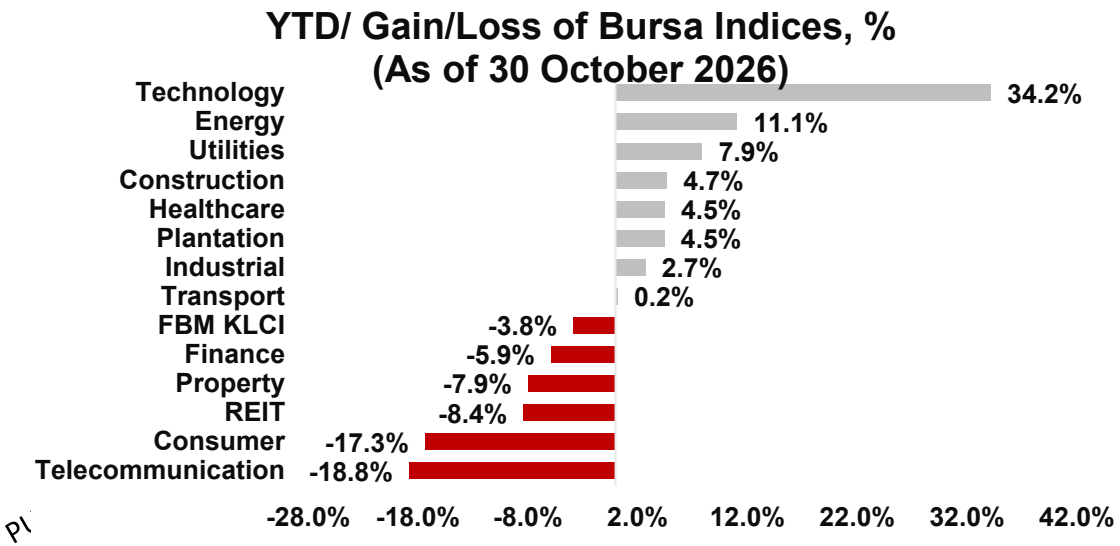
*Sources: Bursa, CEIC data*

- Global equities delivered a mixed performance during the month, with investor sentiment primarily shaped by the AI investment cycle and heightened geopolitical uncertainties.
- India's SENSEX emerged as the top performer, gaining 2.7% m-o-m, followed closely by Germany's DAX (+2.5%). The strong showing in both markets reflected continued confidence in domestic growth prospects and resilient corporate earnings.
- Conversely, Asian markets underperformed, led by Indonesia's JCI (-16.7%), as concerns over a potential MSCI downgrade of Indonesia's market status fueled fears of sizable foreign fund outflows and weighed on investor sentiments.
- Notably, South Korea's KOSPI (-16.2%), alongside China's CSI 300 (-8.5%), Taiwan's TAIEX (-5.7%) and Hong Kong's Hang Seng (-5.4%) declined amid a sharp sell-off in technology-related stocks amid growing concerns over the sustainability of the global AI investment cycle following disappointing earnings by major tech companies, including Amazon and Intel. Evidently, while Intel reported stronger-than-expected earnings in the third quarter, its forward guidance disappointed markets. Amid flagged risks of slowing demand and rising memory prices, concerns grew that AI-related valuations are increasingly stretched.

# DOMESTIC EQUITY: FBM KLCI EXTENDED ITS LOSSES AMID EXTERNAL UNCERTAINTIES AND SIGNS OF MODERATING DOMESTIC GROWTH

BANK ISLAM




*Sources: Bursa, CEIC Data*

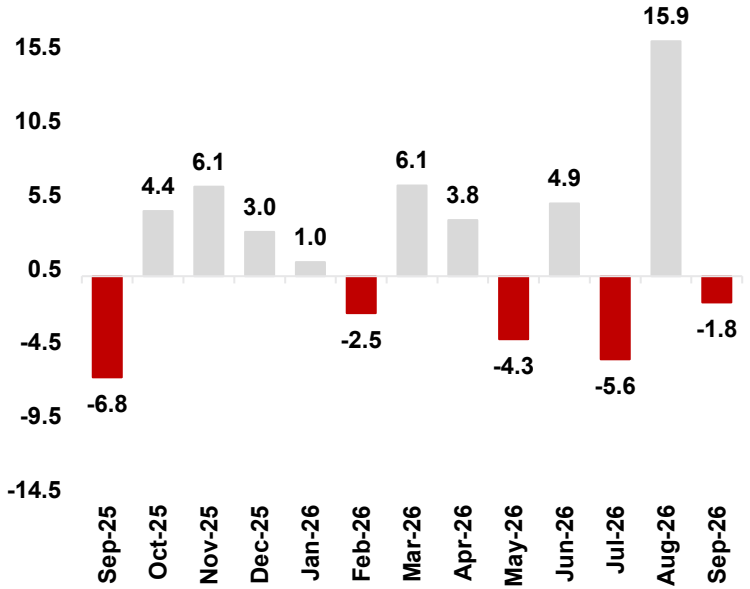
- The FBM KLCI declined by 3.3% m-o-m in October as rising concerns over moderating domestic growth and mounting geopolitical risks overshadowed positive sentiments stemming from the tabling of Budget 2027.
- Investor sentiments remained broadly subdued during the period, weighed by escalating geopolitical tensions in the Middle East. Alongside persistent uncertainties over U.S.-Iran relations and the status of maritime routes in the Gulf region, hostilities between Saudi Arabia and Yemen's Houthi forces escalated. These escalations had rattled markets with the rising probability of a broader regional conflict, weighing on risk appetite and supporting a broader flight to safety.
- Domestically, preliminary estimates pointed towards a moderation in Malaysia's growth, prompting a more cautious stance. Growth is expected to ease to 5.3% in 3Q2026 (2Q26: 6.0%), dampened by softer gains in the services and construction sectors, as well as a contraction in mining output.
- Most Bursa indices closed in the red with the Plantation index emerging as the worst loser, declining by 5.4% m-o-m, followed by the Construction (-4.8%) and Property (-4.1%) indices.
- In contrast, the Healthcare index outperformed (+6.3%), mainly supported by larger Budget 2027 allocations, ongoing digitalization efforts, and improving prospects for the medi-tourism landscape.

# FIXED INCOME: U.S. TREASURY YIELDS RETREAT ON SOFTER ECONOMIC DATA, FOMC HOLD AND SAFE-HAVEN DEMAND

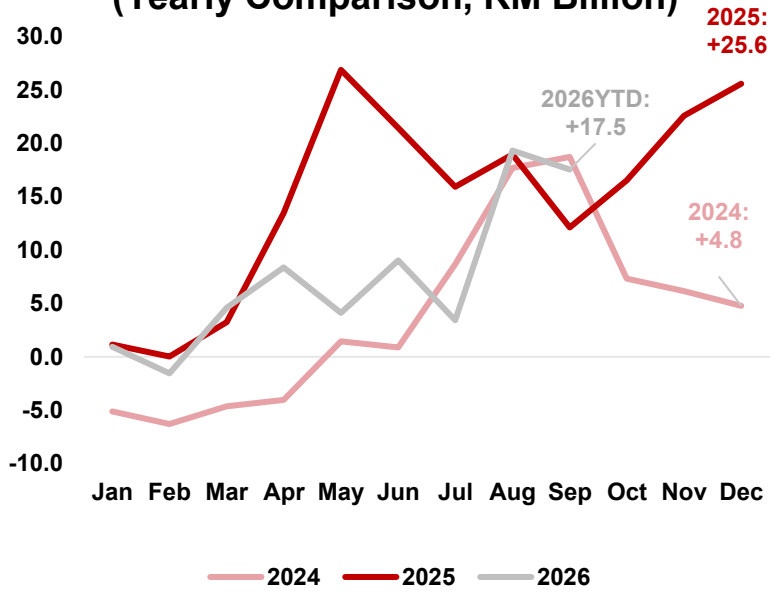
| Monthly changes, basis points (bps) | | | |
|---|---|---|---|
| **UST** | **Yields (%) 30-Sep-26** | **Yields (%) 30-Oct-26** | **Change (bps)** |
| 3-Y UST | 5.00 | 4.65 | -35 |
| 5-Y UST | 5.09 | 4.71 | -38 |
| 7-Y UST | 5.19 | 4.80 | -39 |
| 10-Y UST | 5.29 | 4.94 | -35 |
| **MGS** | **Yields (%) 30-Sep-26** | **Yields (%) 30-Oct-26** | **Change (bps)** |
| 3-Y MGS | 3.48 | 3.41 | -8 |
| 5-Y MGS | 3.78 | 3.69 | -10 |
| 7-Y MGS | 4.01 | 3.88 | -12 |
| 10-Y MGS | 4.05 | 3.90 | -14 |
| **GII** | **Yields (%) 30-Sep-26** | **Yields (%) 30-Oct-26** | **Change (bps)** |
| 3-Y GII | 3.49 | 3.44 | -6 |
| 5-Y GII | 3.78 | 3.69 | -9 |
| 7-Y GII | 4.00 | 3.88 | -12 |
| 10-Y GII | 4.05 | 3.94 | -11 |

*Sources: BNM, Federal Reserve Board*

**Foreign Fund Flows in Local Bond Market, RM Billion**

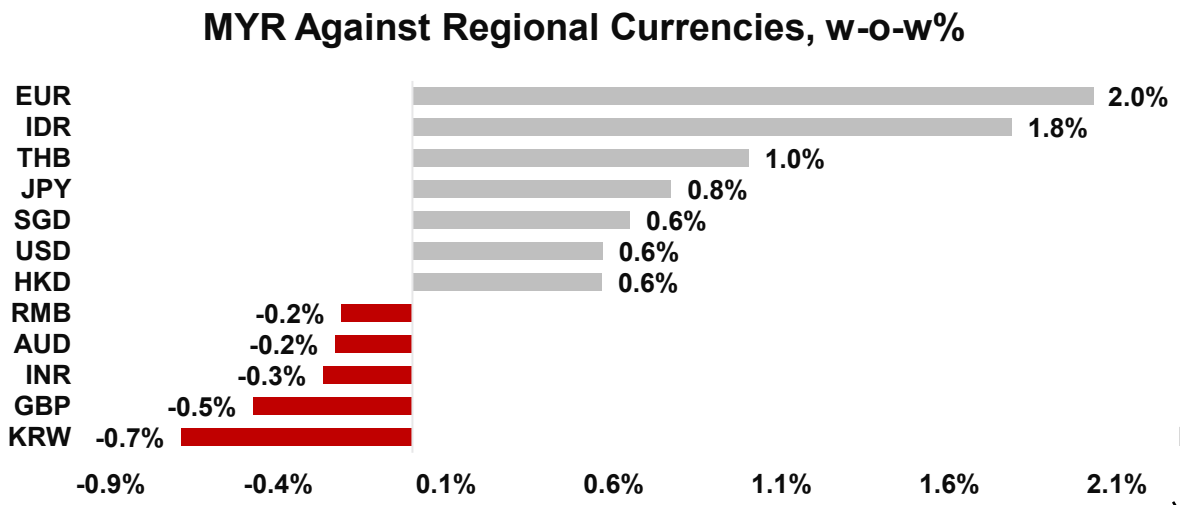


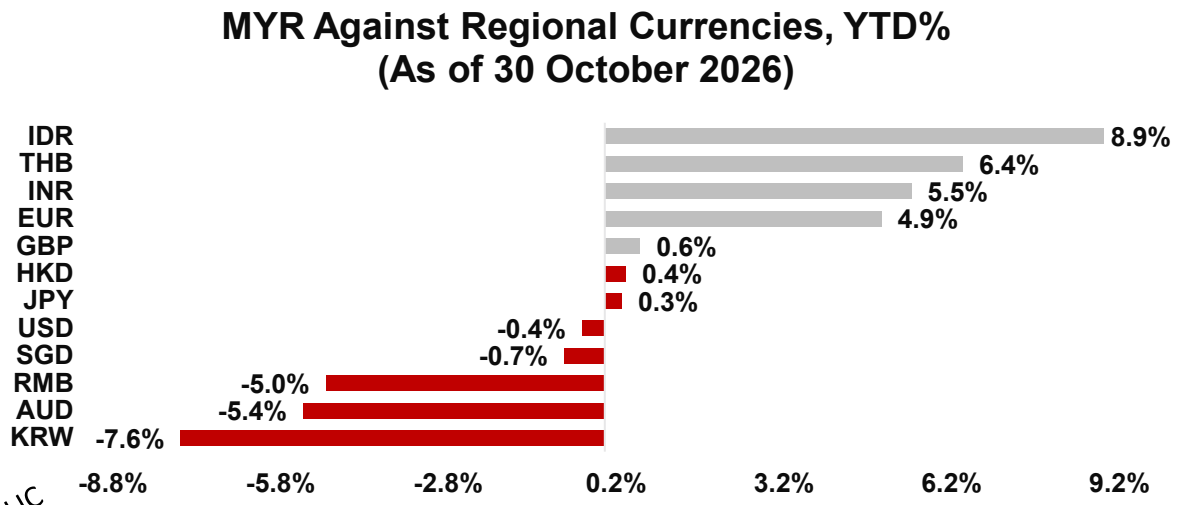

**Cumulative Net Foreign Flows in Local Bonds (Yearly Comparison, RM Billion)**




- The U.S. Treasury (UST) yields fell significantly across the curve in October, decreasing by 35bps to 39bps as investors shifted towards safe-haven assets amid heightened equity market volatility, softer economic data and growing concerns over the sustainability of growth, while the Federal Open Market Committee (FOMC)'s decision to maintain interest rates reinforced expectations that monetary policy would remain data dependent.
- In contrast, Malaysian Government Securities (MGS) and Government Investment Issues (GII) recorded more moderate decline of between 6bps and 14bps.
- The local bond market declined in September, posting a net outflow of RM1.8 billion following a net inflow of RM15.9 billion in August. The share of foreign holdings in total outstanding government securities remained at 20.7% in September.
- On a year-to-date (YTD) (Jan-Sep 2026) basis, cumulative net foreign inflows stood at RM17.5 billion, higher than the RM12.1 billion inflows registered during the corresponding period last year.

# FX MARKET: RINGGIT APPRECIATED TOWARDS THE END OF THE MONTH AS A TECH SELL-OFF PROMPTED A FLIGHT INTO BONDS




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

PUBLIC

- The Ringgit outperformed the USD in October, appreciating by 0.6% m-o-m against the latter despite the USD index strengthening by 0.4% m-o-m.
- The DXY index sustained its bullish momentum for much of October, supported by its dual appeal of a safe-haven and high-yielding asset. Escalating geopolitical tensions in the Middle East and Eastern Europe continued to sustain safe-haven demand, while concerns over potential disruptions to trade flows through key routes in the Gulf region pushed oil prices higher. This had fueled rising inflationary concerns, reinforcing expectations of additional U.S. Fed tightening. This drove the benchmark 10-year U.S. Treasury yield higher, touching a multi-decade high of 5.312% on 7 October, resulting in the USD trading between a bullish range of 101.50-102.70 initially.
- While the Fed opted to keep its FFR steady during the October FOMC meeting, hawkish guidance and a pickup in PCE inflation continued to provide underlying support to the USD.
- Nevertheless, disappointing earnings report from major tech giants triggered a fresh sell-off in AI-related shares, leading to a rally in the bond market and pushing Treasury yields lower. This renewed pressure on the USD, which broke below the immediate 102-support level on 30 October and closed the week at 101.88.
- Against this backdrop, the Ringgit appreciated towards the end of the month, breaching the 4.07 support and subsequently breaking below 4.06 to close the month at 4.0577.

BANK ISLAM

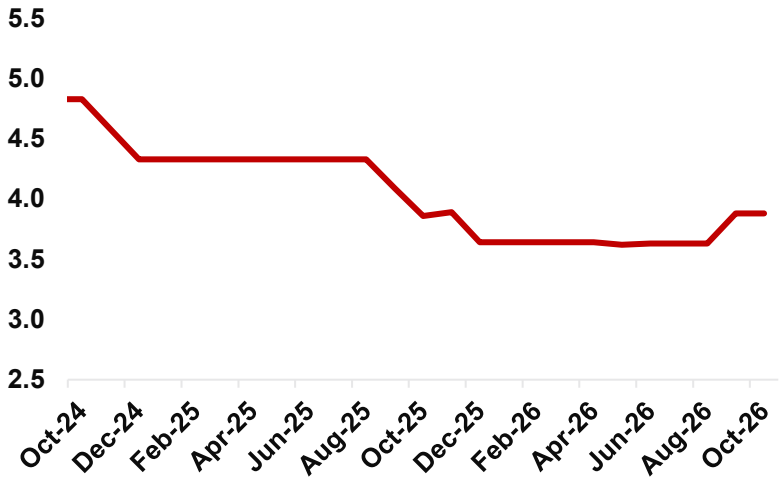
# SECTION 2

## The Global Economy

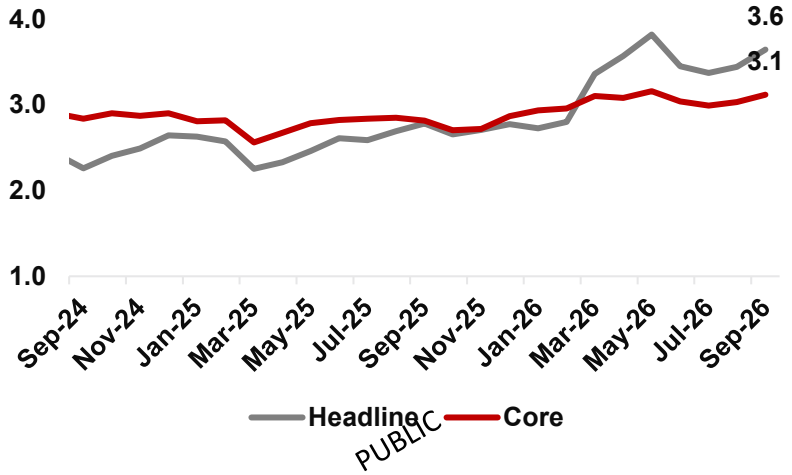
# ODDS FOR A DECEMBER FED RATE HIKE RISES AMID INTENSIFYING PRICE PRESSURES AND ROBUST ECONOMIC CONDITIONS

BANK ISLAM

**Effective Federal Funds Rate, %**

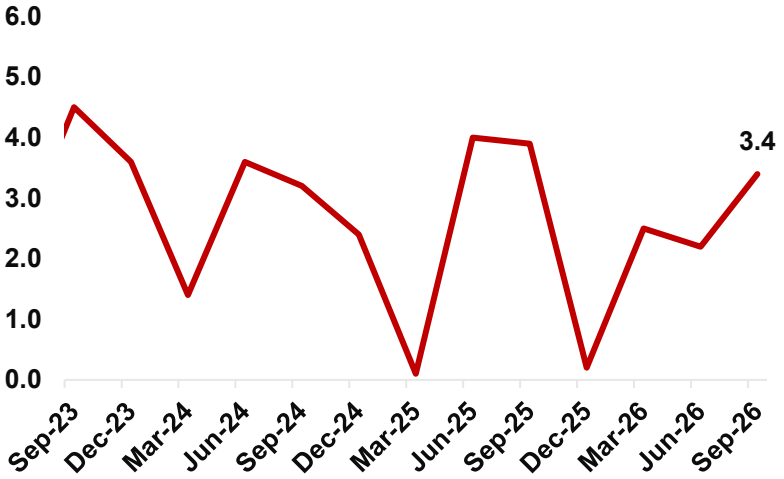



**Personal Consumption Expenditure (PCE) Price Index, y-o-y%**




PUBLIC

**Quarterly Real GDP, q-o-q%**



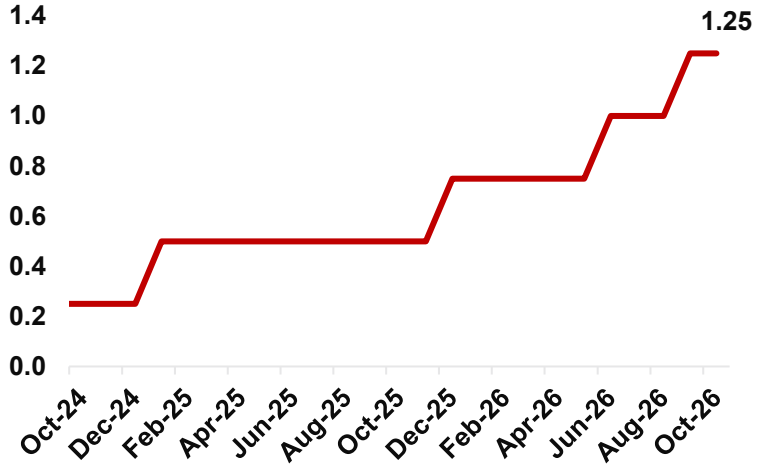

*Sources: U.S. Federal Reserve, Bureau of Economic Analysis (BEA), CEIC Data*

- The U.S. Federal Reserve (Fed) voted 7–2 to keep the Federal Funds Rate (FFR) unchanged at 3.75%-4.00%, with Fed Governor Lisa Cook and Cleveland Fed President Beth Hammack dissenting in favour of a 25-bp rate increase. The vote split was noteworthy, signaling growing concerns within the Board that more restrictive monetary policy settings may be necessary to contain inflationary pressures.
- As such, markets now turn their focus towards the possibility of a December rate hike, the probably of which rising to nearly 85.0% following the FOMC meeting, compared to 73.3% a week before.
- Recent macroeconomic data further reaffirmed such expectations, as a stronger-than-expected economy and persistent inflationary pressures pave the way for additional tightening. Notably, headline Personal Consumption Expenditure (PCE) inflation rose by a six-month high of 0.5% in September (Aug: 0.3%), driven by a sharp increase in goods prices (Sep: 0.8% vs. Aug: 0.3%), while services inflation was steady ay 0.3%. Core PCE inflation remained unchanged at 0.3%, suggesting that underlying price pressures are increasingly sticky beyond the volatile energy prices.
- The U.S. economy expanded by 3.4% q-o-q in 3Q2026 (2Q26: 2.2%), the strongest pace in a year, primarily supported the ongoing global AI upcycle. Evidently, private investment surged to 19.4% (2Q26: 4.6%) amid firm investment in equipment (3Q: 20.9% vs. 2Q: 13.4%), intellectual property products (3Q: 8.4% vs. 2Q: 9.2%) and structures (3Q: 5.4% vs. 1Q: 0.1%).

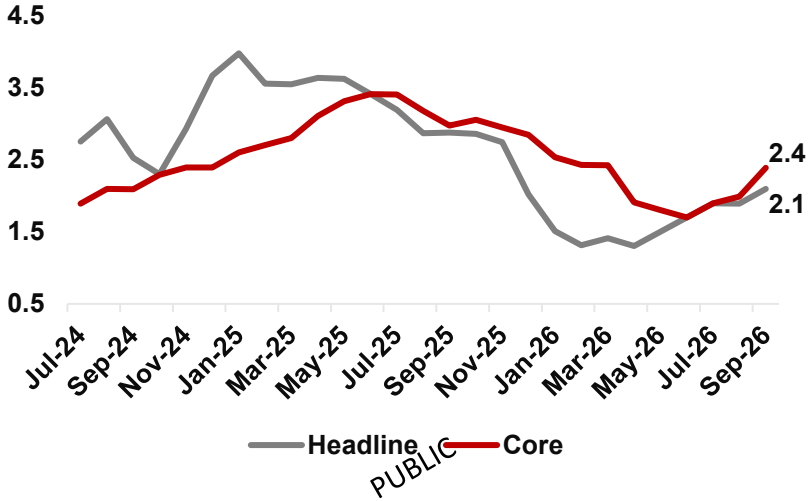
# INTENSIFYING PRICE PRESSURES CONTINUE TO REINFORCE THE POSSIBILITY OF FURTHER BOJ POLICY NORMALIZATION

BANK ISLAM

**Policy Rate, %**

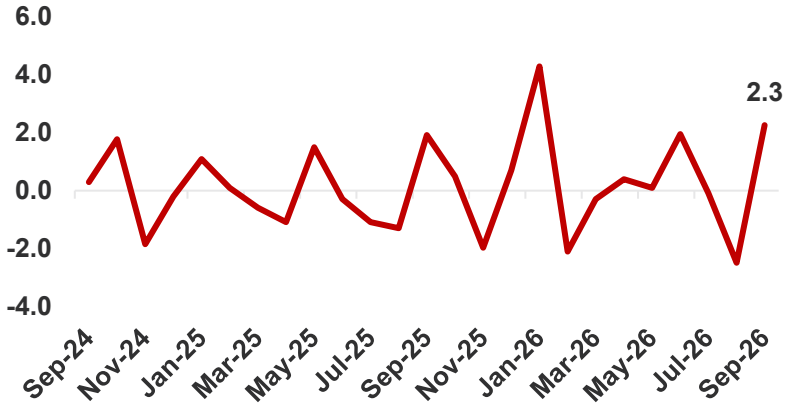



**CPI, y-o-y%**




PUBLIC

**Industrial Production Index (IPI): Manufacturing, m-o-m%**



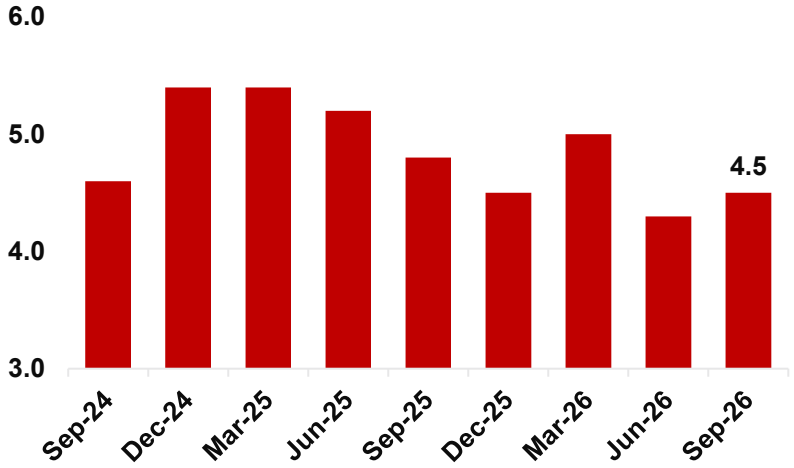

*Sources: Bank of Japan, Japan's Ministry of Internal Affairs and Communication, CEIC Data*

- Underlying price pressures in Japan continue to firm, validating Bank of Japan (BoJ)'s ongoing policy normalization cycle. Looking back, the central bank delivered a 25-bp rate increase in September, just three months after another hike in June, which marked the shortest interval between hikes since 1990. Given that inflation was still trending below the BoJ's 2.0% target at the time, the decision was widely interpreted as a preemptive measure.
- However, recent data reaffirmed that move was well-founded. Notably, headline inflation has risen to a ten-month high of 2.1% y-o-y in September (Aug: 1.9%), driven partly by higher transportation costs (Sep: 2.5% vs. Aug: 2.3%). More concerningly, underlying price pressures are showing signs of broadening, with inflation rising across housing household goods (Sep: 6.5% vs. Aug: 4.9%), recreation (Sep: 3.9% vs. Aug: 2.2%), and miscellaneous items (Sep: 1.2% vs. Aug: 0.7%). Reflecting this, inflation excluding fresh food but including energy had climbed to 2.1% (Aug: 1.7%), while core inflation accelerated to 2.4% (Aug: 2.0%).
- At its October meeting, the BoJ voted 8–1 to keep its interest rate unchanged at 1.25%, in line with market expectations. Board member Hajime Takata dissented, arguing that the central bank must continue its policy normalization efforts to reach the neutral rate at a faster pace. Looking ahead, Board members acknowledged scope for further rate hikes, noting that underlying inflation has climbed to the 2.0% target, financial conditions remain accommodative, while the growth outlook has improved.

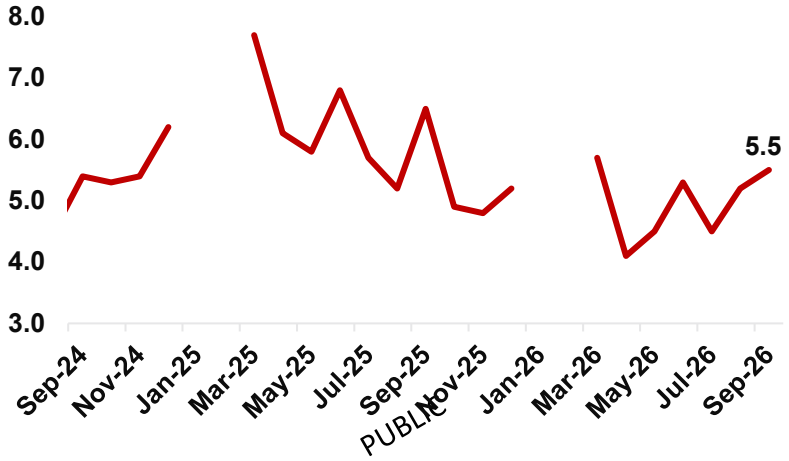
# CHINA'S ECONOMY MAY YET FULFIL THE OFFICIAL TARGET OF 4.5%-5.0%, BOLSTERED BY ROBUST INUDTSRIAL PRODUCTION

BANK ISLAM

**Quarterly Real GDP, y-o-y%**




**Industrial Production Index (IPI), y-o-y%**




**Exports vs. Imports, y-o-y%**




*Sources: National Bureau of Statistics China (NBS), CEIC Data*

- China's economy expanded by 4.5% y-o-y in 3Q2026 (2Q26: 4.3%), driven primarily by robust trade performance and firm growth across export-oriented manufacturing, particularly AI-related components, high-tech manufactured goods and electric vehicles (EV).
- The expansion surpassed consensus estimates of a 4.4% growth, signaling that China's economy may be more resilient than expected, with the global AI investment upcycle providing a crucial boost to domestic activity.
- Notably, industrial production accelerated to a six-month high of 5.5% in September (Aug: 5.2%) amid broad-based expansions across the manufacturing (Sep: 6.0% vs. Aug: 6.1%), utilities (Sep: 5.6% vs. Aug: 4.9%), and mining (Sep: 1.3% vs. Aug: -1.4%) sectors.
- Growth in the manufacturing sector was largely supported by robust external demand, which was reflected in the sustained export momentum. Evidently, China's exports surged by 36.3% y-o-y to a record-high of USD447.18 billion in September, supported by shipments of electrical machinery and equipment (Sep: 52.1% vs. Aug: 41.8%), optical, medical and precision instruments (Sep: 30.0% vs. Aug: 18.9%), and transportation equipment (Sep: 27.3% vs. Aug: 25.6%).
- Nevertheless, downside risks to exports emerge from potential friction with trade partners, including the recent deal between China and EU to curb Chinese hybrid vehicle exports to the EU region.

BANK ISLAM

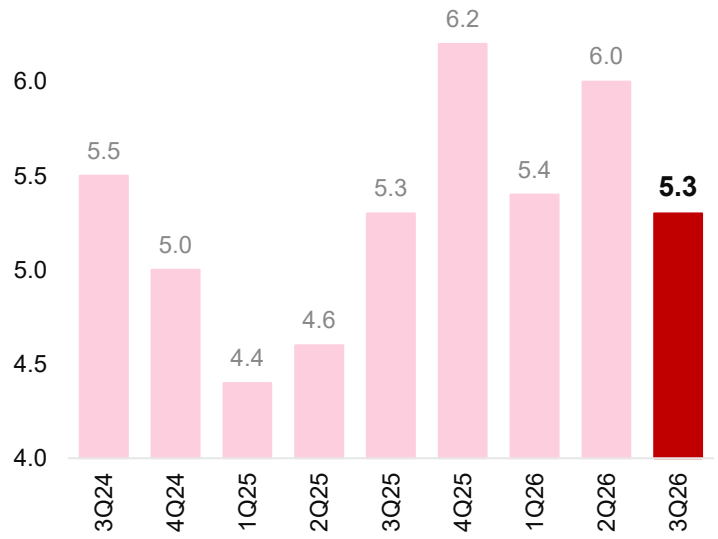
# SECTION 3

## Domestic Landscape & Banking Sector Update

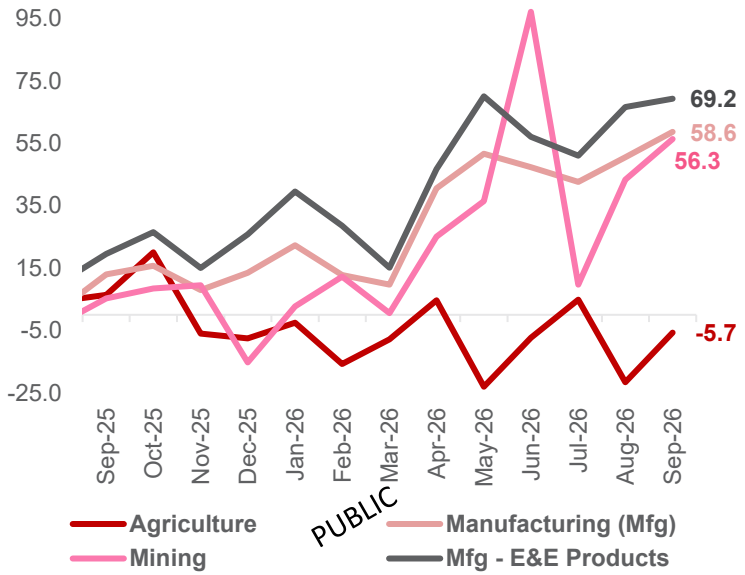
# GROWTH MODERATES, EXPORTS SURGE AND INFLATION REMAINS CONTAINED IN 3Q26

BANK ISLAM

**GDP, y-o-y %**

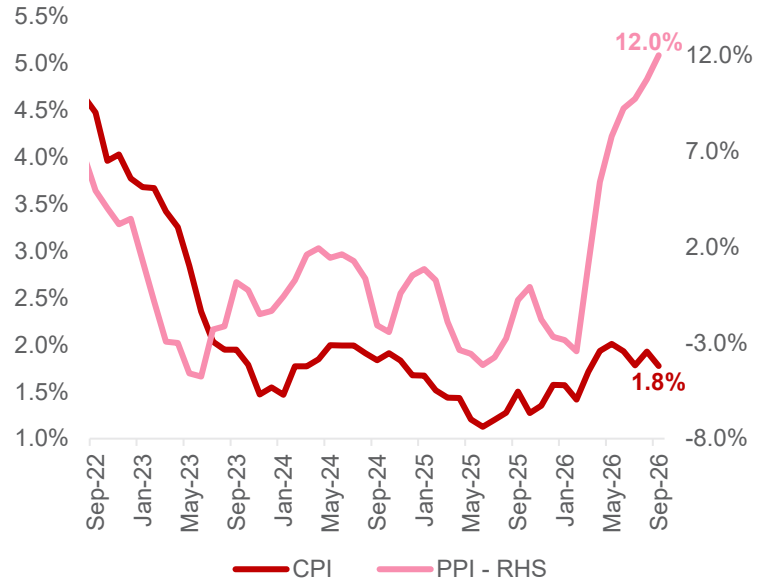



**Exports by Sector, y-o-y %**




PUBLIC

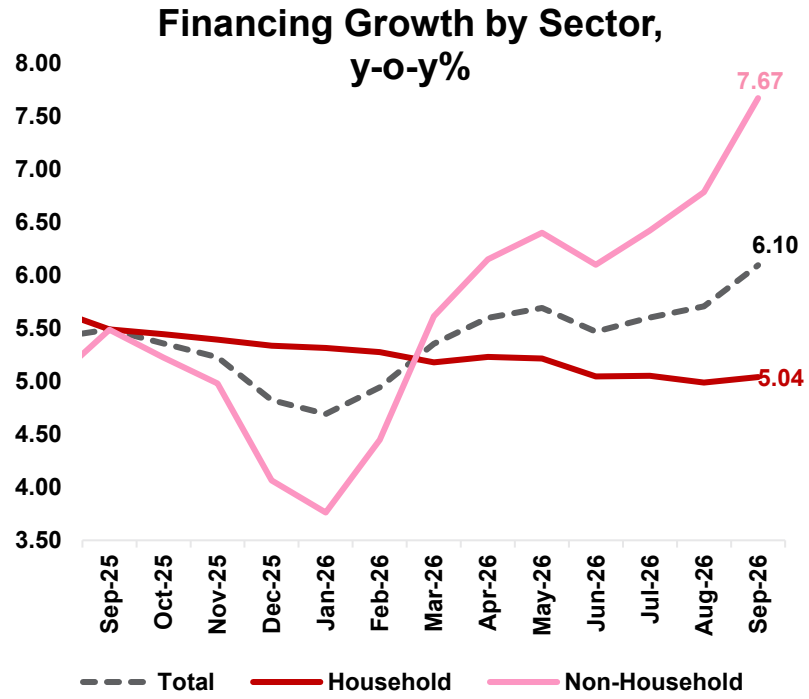
**CPI vs PPI, y-o-y %**

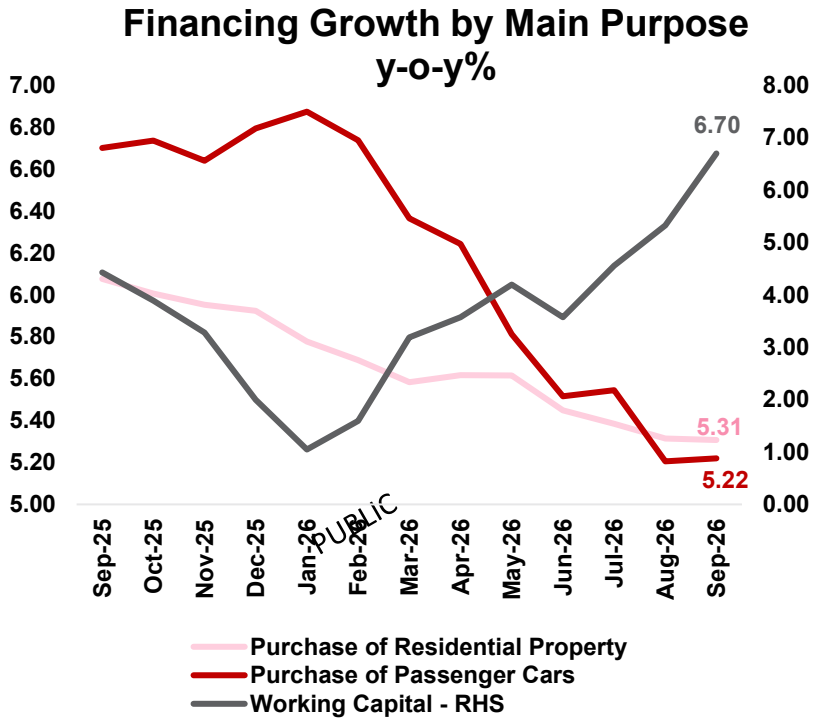


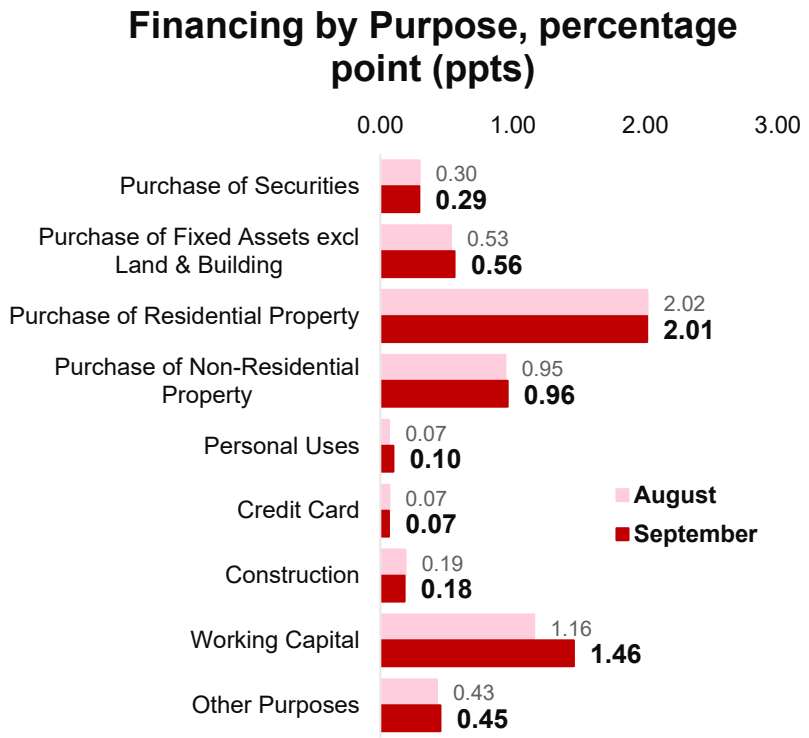

*Sources: DOSM, CEIC Data, Bank Islam*

- According to DOSM's advance estimate, Malaysia's GDP growth is estimated to moderate to 5.3% y-o-y in 3Q26 (2Q26: 6.0%). Growth remained supported by the services (5.4%), manufacturing (7.5%) and construction (6.0%) sectors, while the agriculture sector rebounded by 1.3% following a contraction in the previous quarter, supported by stronger oil palm and livestock output. In contrast, the mining sector contracted by 4.9%, reversing from a 9.2% expansion in 2Q26.
- In the last month of the 3Q26, Malaysia's export growth accelerating sharply to 54.5% y-o-y to RM215.1 billion. The strong performance was driven primarily by manufacturing exports (+58.6% y-o-y), particularly E&E products, which surged 69.2% amid sustained demand from AI infrastructure, data centres and advanced computing applications, while mining exports also rebounded strongly.
- Meanwhile, headline inflation eased to 1.8% in September (August: 1.9%) amid softer utility and ICT inflation, supported by the expansion of the electricity bill protection mechanism and continued price competition among telecommunications providers, which helped offset higher transport inflation arising from elevated global crude oil prices. However, producer price pressures intensified, with PPI accelerating to 12.0% (August: 10.7%) on the back of higher crude material costs, particularly crude fuel for further processing. The widening gap between PPI and CPI suggests a risk of gradual cost pass-through to consumers in the coming months should upstream cost pressures persist and firms' profit margins come under greater strain.

# BANKING SECTOR: BUSINESS FINANCING DRIVES STRONGER CREDIT GROWTH IN SEPTEMBER AMID CAUTIOUS HOUSEHOLD BORROWING



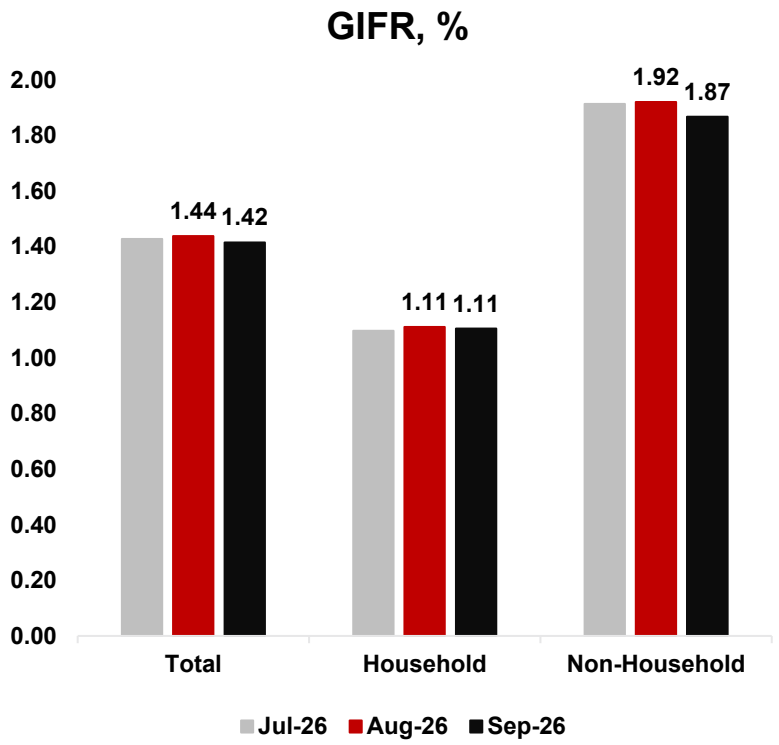



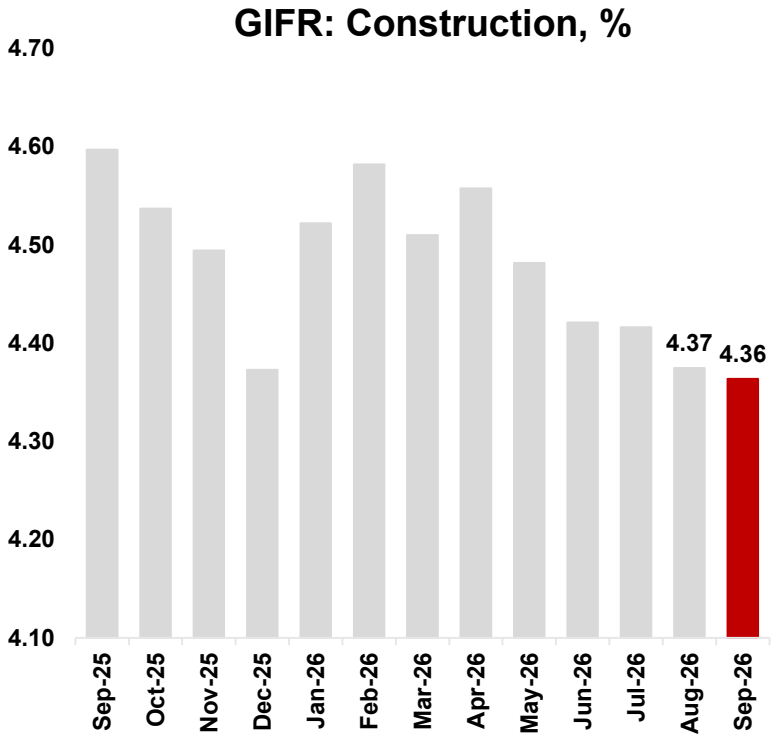



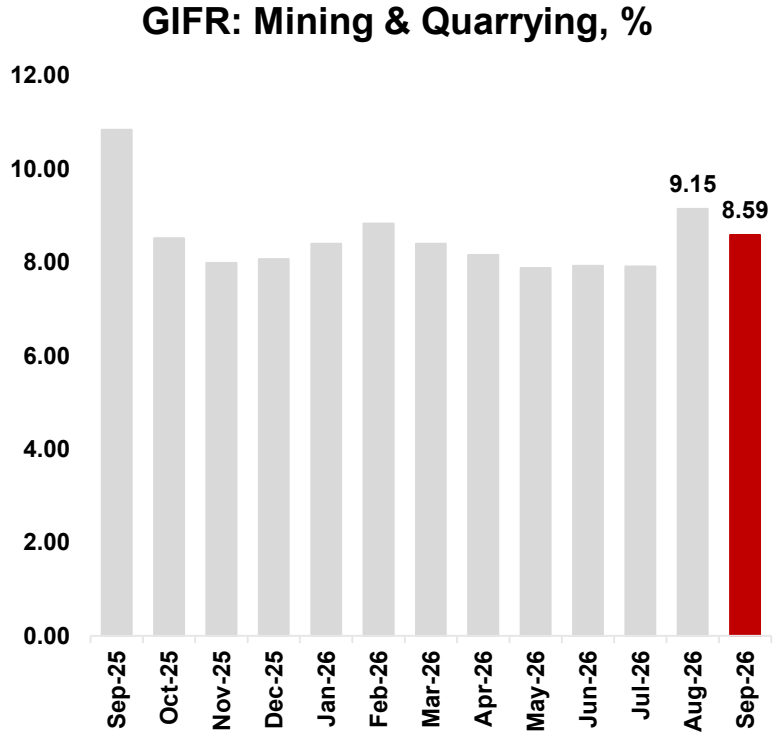

*Source: BNM*

- Total banking sector financing growth accelerated further to 6.1% y-o-y in September (August: 5.7%), driven mainly by stronger non-household financing growth of 7.7% (August: 6.8%). Meanwhile, household financing growth remained steady at 5.0%, suggesting continued caution among households in undertaking new financial commitments amid elevated living costs and lingering global uncertainties.
- Working capital financing maintained its upward momentum, expanding by 6.7% y-o-y, supported primarily by non-SME financing which accelerated to 10.0% (August: 8.1%). In contrast, SME working capital financing remained subdued at 0.8% (August: 0.5%), indicating more measured financing demand among smaller businesses. The stronger growth in corporate financing reflects greater funding needs to support operating expenses and business expansion, although tighter credit assessments may continue to constrain borrowing by certain segments.
- Financing for residential property and passenger car purchases continued to expand by 5.3% and 5.2% y-o-y, respectively, although growth remained relatively moderate compared with business-related financing segments.

# BANKING SECTOR: ASSET QUALITY IMPROVES FURTHER AMID LOWER BUSINESS IMPAIRMENTS




*Source: BNM*

- The banking sector's asset quality improved marginally in September, with the Gross Impaired Financing Ratio (GIFR) declining to 1.42% from 1.44% in August. The improvement was driven by the non-household segment, where the GIFR fell to 1.87% (August: 1.92%), while the household GIFR remained unchanged at 1.11%, indicating broadly stable debt-servicing conditions among households.
- Across key economic sectors, financing quality continued to improve. The construction sector GIFR edged lower to 4.36% (August: 4.37%), while the mining and quarrying sector recorded a more notable decline to 8.59% (August: 9.15%).
- Despite the improvement, impairment levels in the mining and quarrying sector remained elevated relative to other sectors, suggesting that repayment risks within the industry warrant continued monitoring.

BANK ISLAM

# THANK YOU