WEEKLY ECONOMIC UPDATE

18 MAY 2026

ECONOMIC RESEARCH

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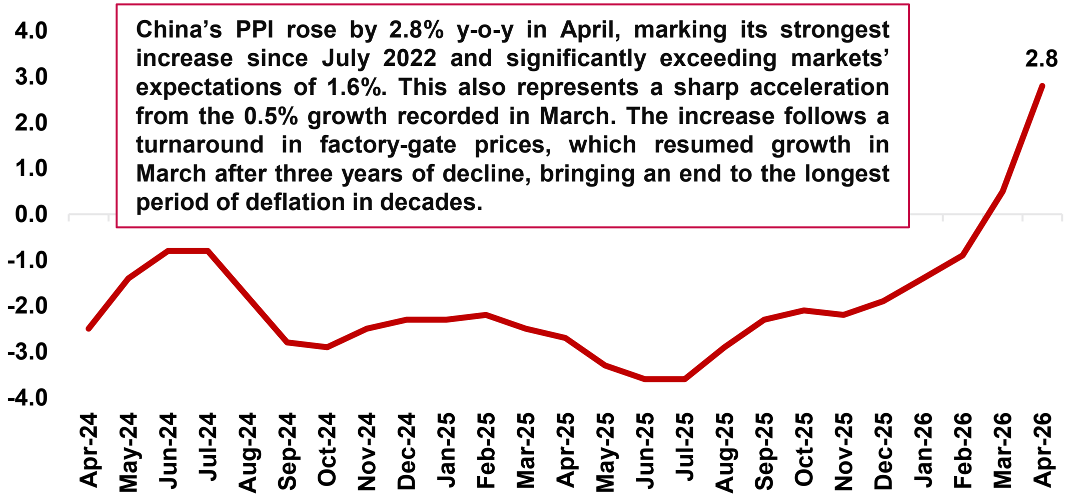
WEEKLY HIGHLIGHT: MALAYSIA POSTS RESILIENT 5.4% GROWTH IN 1Q2025 DESPITE GLOBAL HEADWINDS

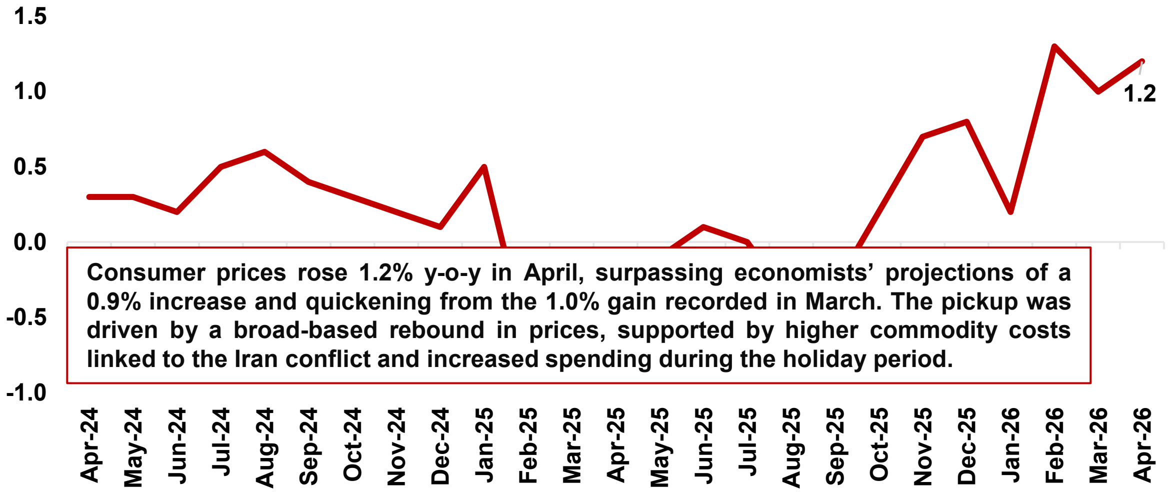
GLOBAL

China - Producer Price Index (PPI), y-o-y%



China's PPI rose by 2.8% y-o-y in April, marking its strongest increase since July 2022 and significantly exceeding markets' expectations of 1.6%. This also represents a sharp acceleration from the 0.5% growth recorded in March. The increase follows a turnaround in factory-gate prices, which resumed growth in March after three years of decline, bringing an end to the longest period of deflation in decades.

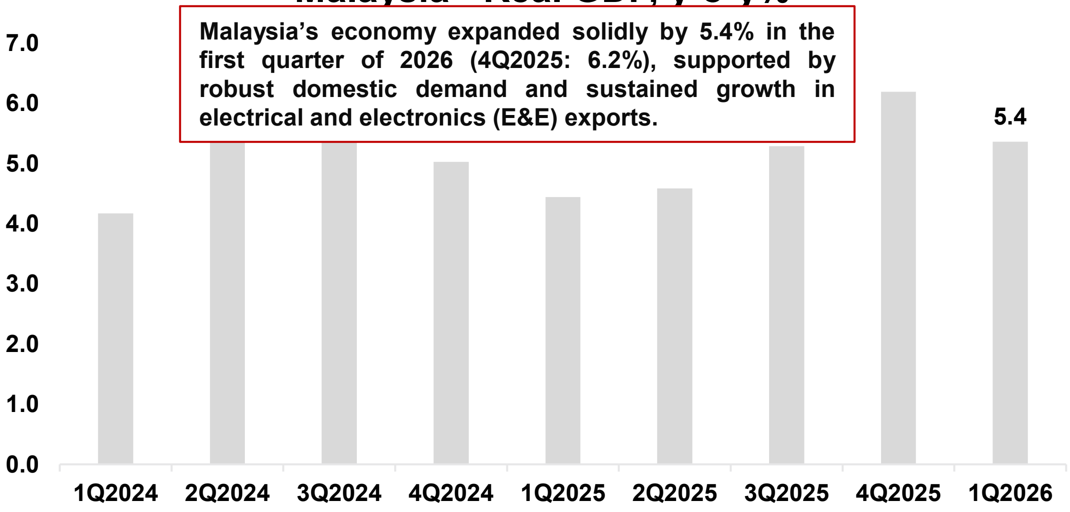
China - Consumer Price Index (CPI), y-o-y%



Consumer prices rose 1.2% y-o-y in April, surpassing economists' projections of a 0.9% increase and quickening from the 1.0% gain recorded in March. The pickup was driven by a broad-based rebound in prices, supported by higher commodity costs linked to the Iran conflict and increased spending during the holiday period.

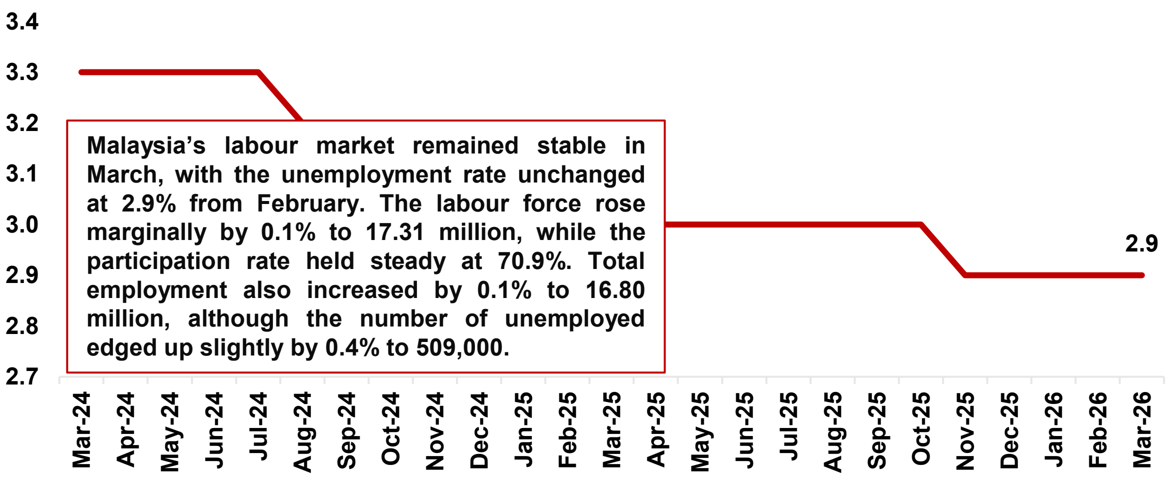
DOMESTIC

Malaysia - Real GDP, y-o-y%



Malaysia's economy expanded solidly by 5.4% in the first quarter of 2026 (4Q2025: 6.2%), supported by robust domestic demand and sustained growth in electrical and electronics (E&E) exports.

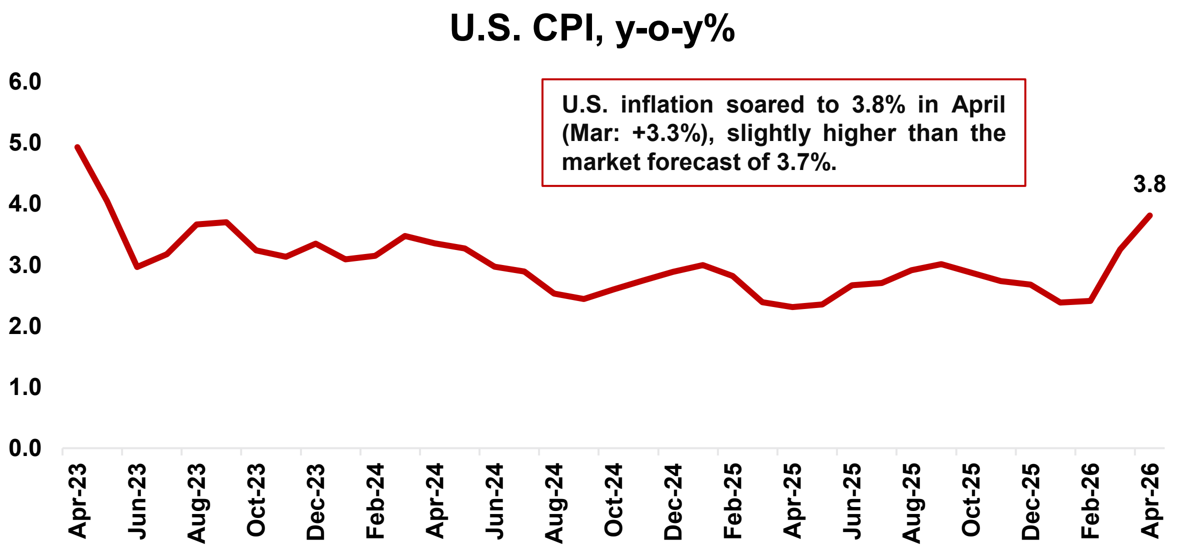
Malaysia - Unemployment Rate, %

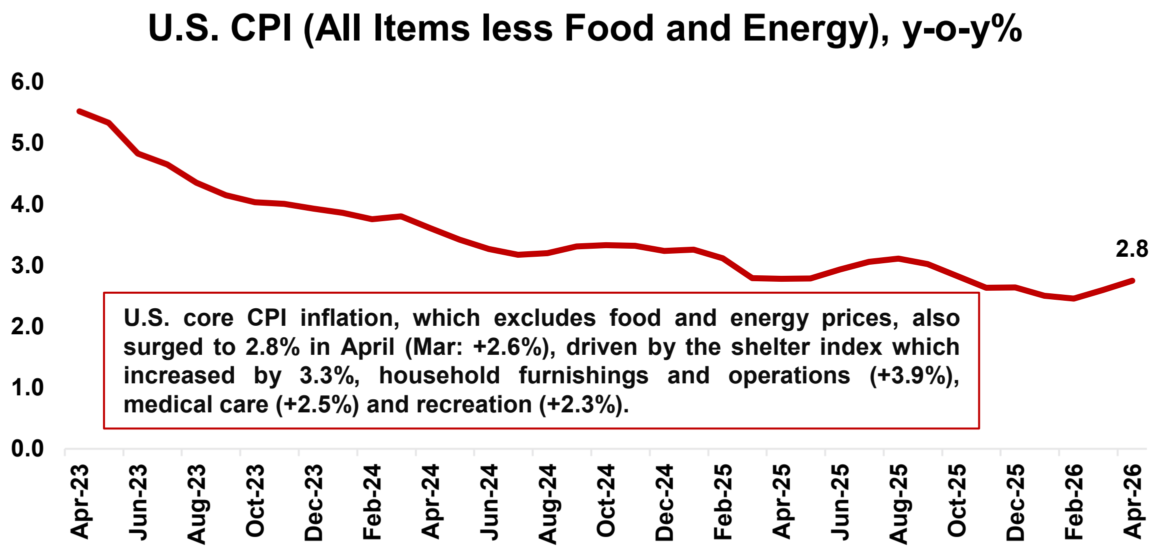


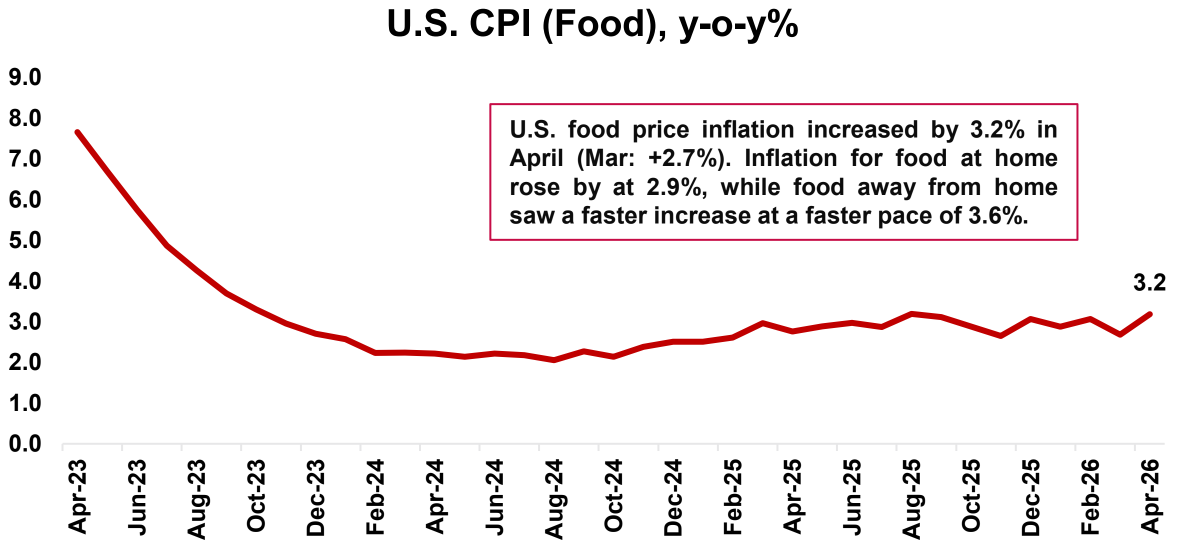
Malaysia's labour market remained stable in March, with the unemployment rate unchanged at 2.9% from February. The labour force rose marginally by 0.1% to 17.31 million, while the participation rate held steady at 70.9%. Total employment also increased by 0.1% to 16.80 million, although the number of unemployed edged up slightly by 0.4% to 509,000.

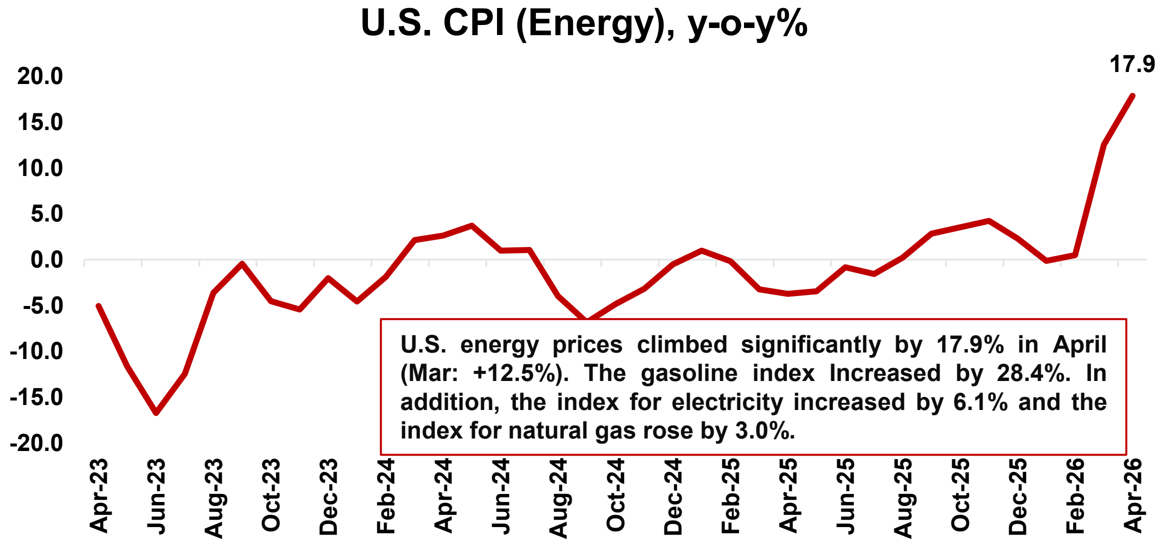
Sources: Department of Statistics Malaysia (DOSM), CEIC Data

U.S. WEEKLY HIGHLIGHT: U.S. INFLATION CLIMBED IN APRIL, DRIVEN BY ESCALATING OIL PRICE PRESSURES



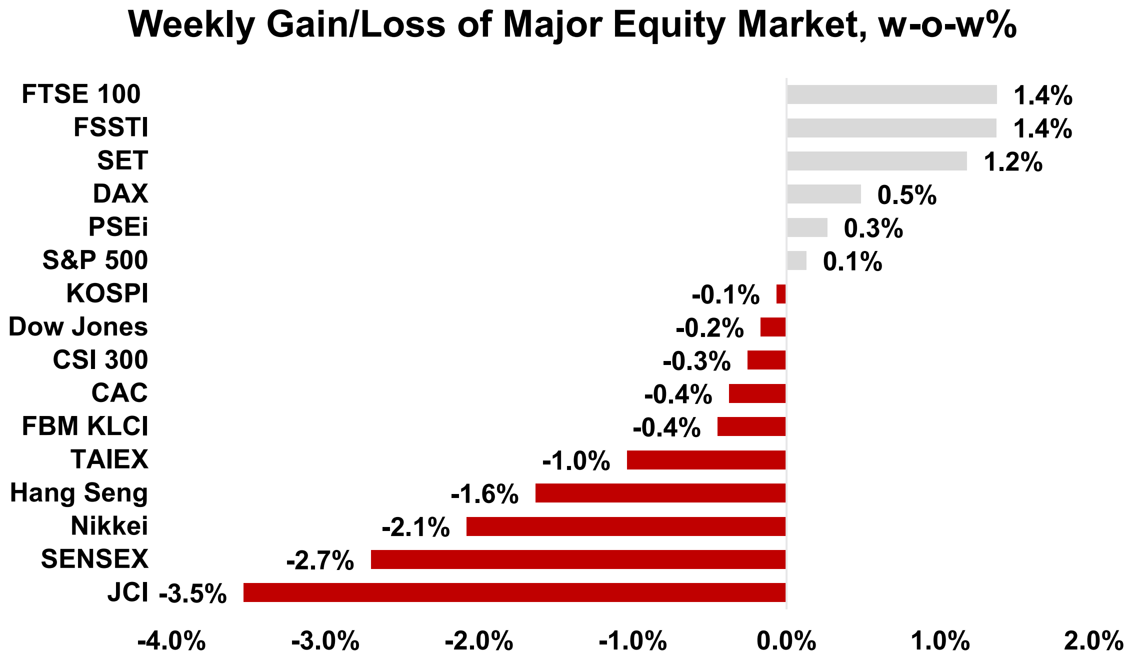


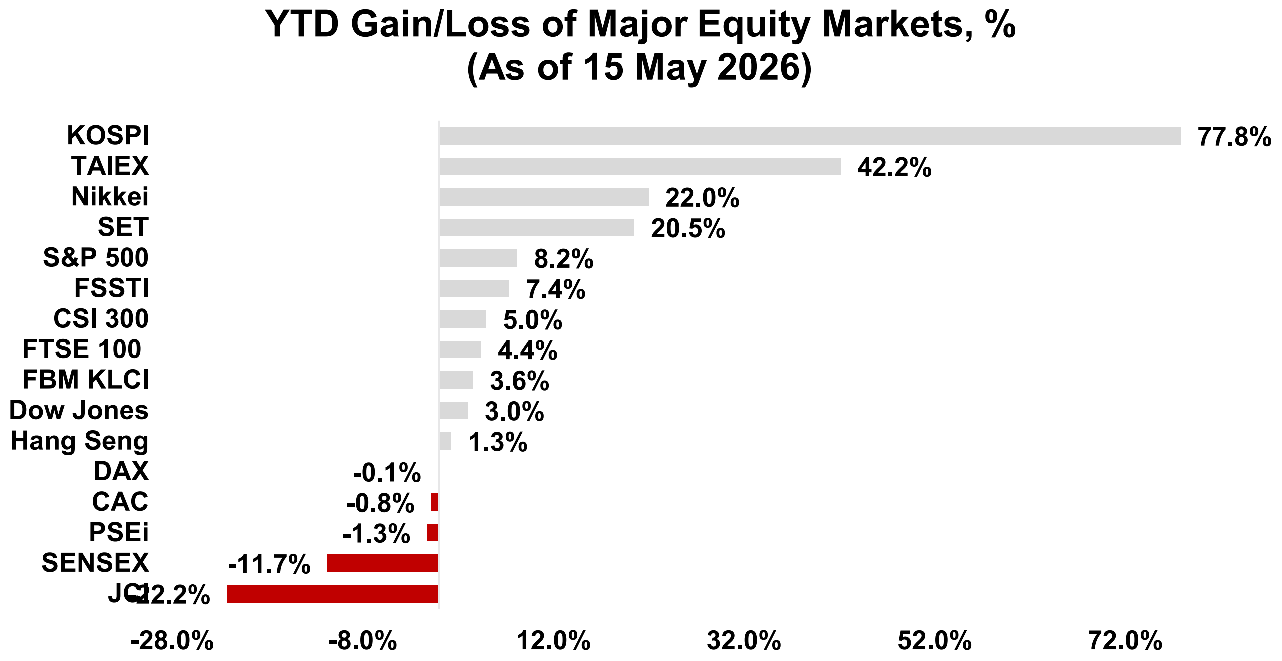




Source: U.S. Bureau of Labor Statistics (BLS)

REGIONAL EQUITY: GLOBAL EQUITIES SLIPPED ON FED RATE OUTLOOK AND RISING INFLATION PRESSURES

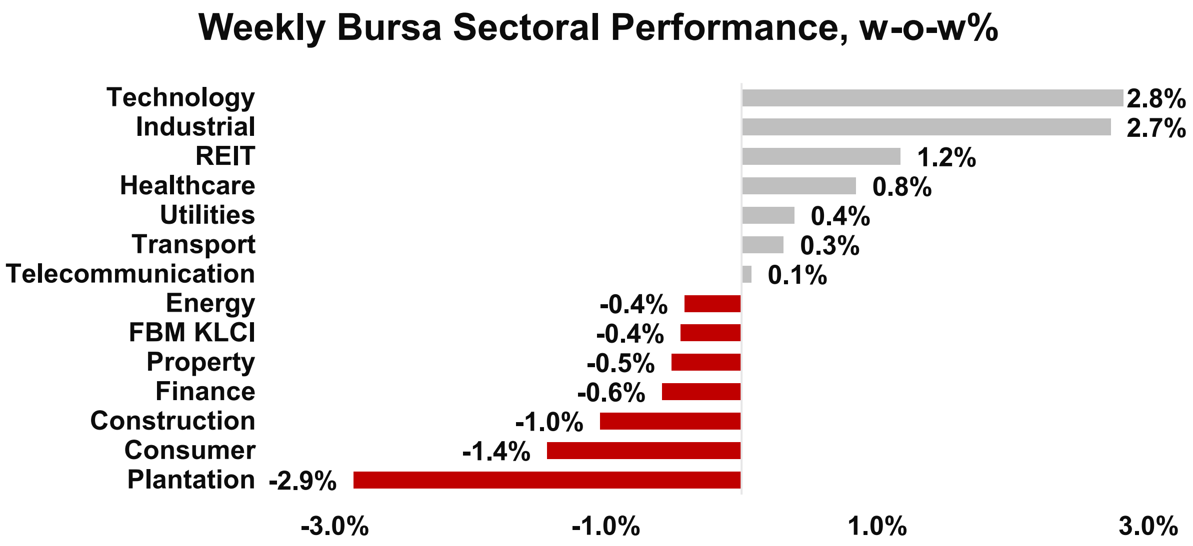


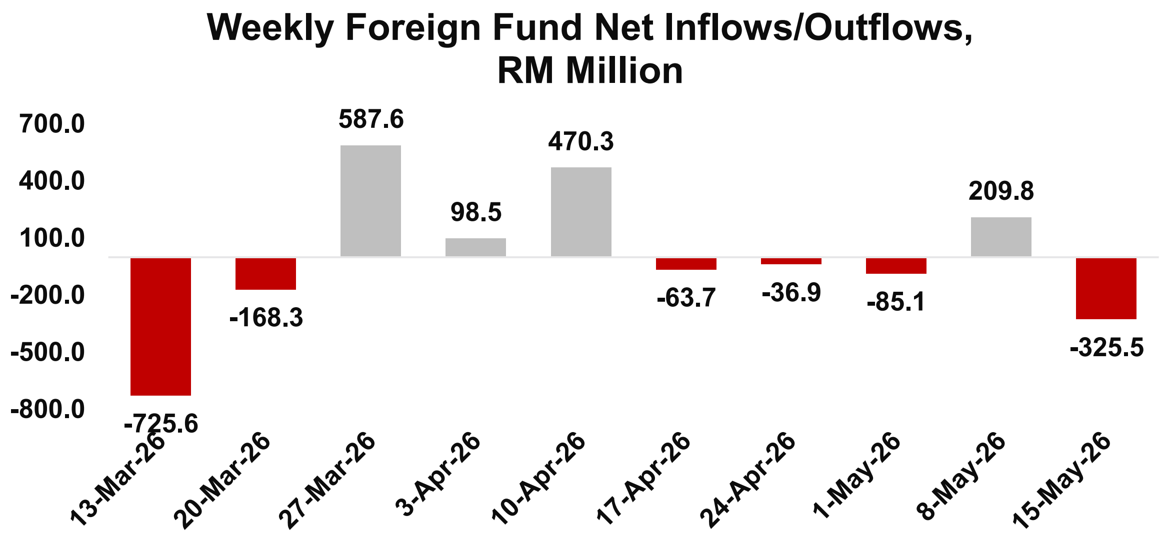


Sources: Bursa, CEIC Data

- Global equity markets mostly declined during the week ending May 15, with Indonesia's JCI emerging as the biggest laggard, falling 3.5%. The drop was driven by a stronger USD and rising domestic cost pressures, which reinforced expectations that the Federal Reserve may keep interest rates higher for longer, within the 3.50%–3.75% range.
- Additionally, India's SENSEX also dropped by 2.7%, amid a late-day pullback in metals, oil, and gas counters erased much of the earlier gains, as investors grew more guarded on rising inflation worries. Crude prices climbed amid ongoing tensions in the Middle East and lingering uncertainty surrounding the reopening of the Strait of Hormuz, while a nationwide increase in fuel prices added to the pressure.
- In contrast, U.K's FTSE 100 (+1.4%) and Singapore's FSSTI (+1.4%) were the major winners for the week ending May 15.

DOMESTIC EQUITY: FBM KLCI DECLINED AS GEOPOLITICAL HEADWINDS WEIGHED ON THE ECONOMY





Sources: Bursa, CEIC Data

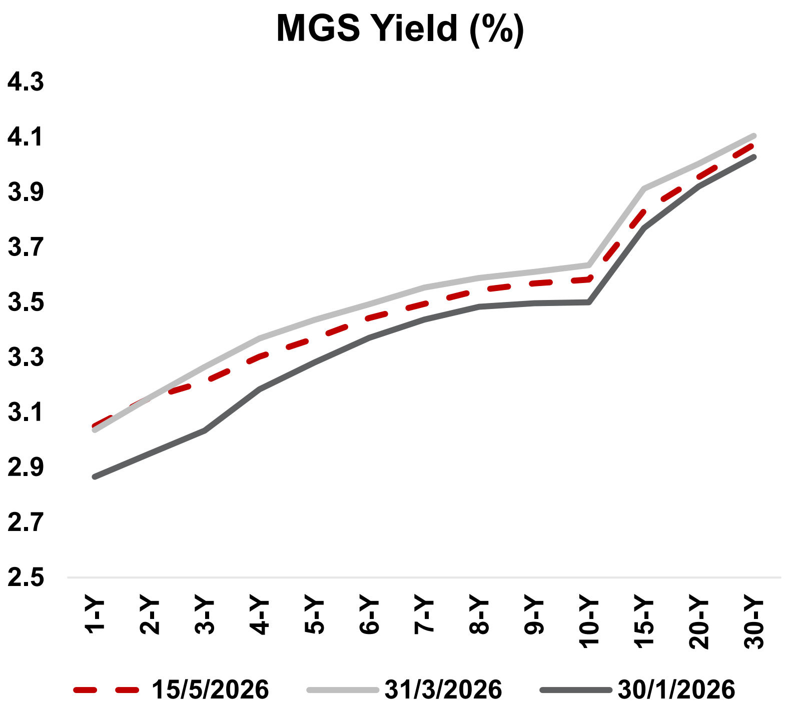
- The FBM KLCI declined by 0.4% w-o-w for the week ending May 15, reflecting emerging signs of a moderation in Malaysia's economic momentum amid persistent external headwinds. Growth eased to 5.4% y-o-y in 1Q26 (4Q25: 6.2%), as elevated energy prices and supply chain disruptions linked to the U.S.–Iran conflict weighed on overall activity. The slowdown was broad-based across sectors, including Services (1Q26: 5.6% vs. 4Q25: 6.2%), Manufacturing (1Q26: 5.9% vs. 4Q25: 6.0%), Construction (1Q26: 7.7% vs. 4Q25: 10.9%), Agriculture (1Q26: 2.6% vs. 4Q25: 5.7%) and Mining (1Q26: -2.1% vs. 4Q25: 1.4%).
- Performance across Bursa was mixed, with gains concentrated across selected sectors. The Technology index emerged as the top performer as it jumped by 2.8%, driven by optimism surrounding the global Artificial Intelligence (AI) bubble. This was followed closely by the Industrial index (+2.7%) following a stronger-than-expected growth in the Manufacturing sector, signaling that manufacturing activity remained resilient amid solid tech-related demand.
- In contrast, the Plantation index declined sharply by 2.9%, dampened by a slower-than-expected growth in the Agriculture sector against a backdrop of adverse weather conditions and rising global commodity prices.
- Foreign investors shed a total of RM325.5 million worth of equities, reducing the cumulative net inflow thus far to RM1.6 billion.

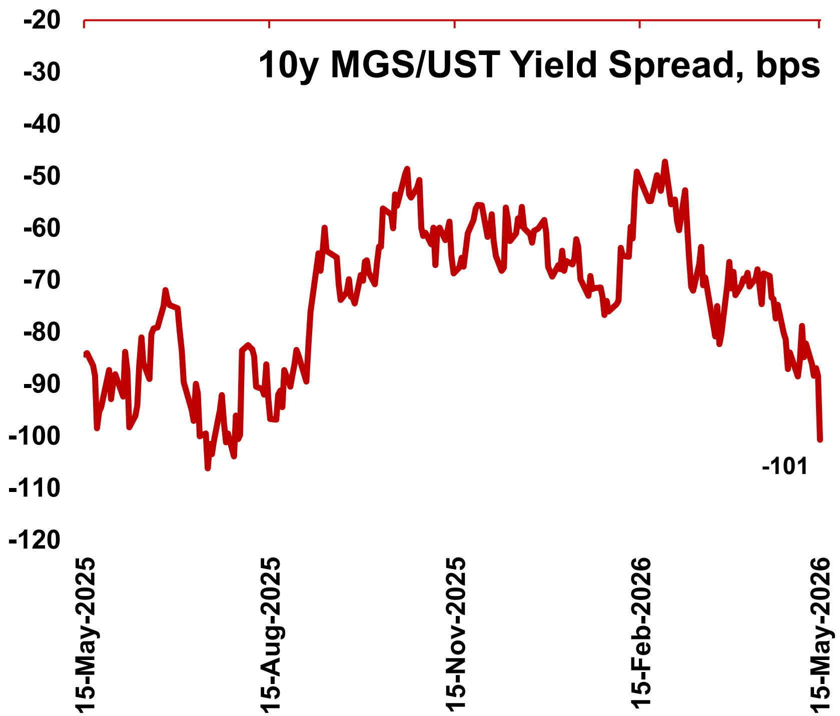
FIXED INCOME: RISING YIELDS REFLECT INFLATION CONCERNS AND GEOPOLITICAL RISKS

BANK ISLAM

Weekly Changes, basis points (bps)

UST	Yields (%) 8-May-26	Yields (%) 15-May-26	Change (bps)
3-Y UST	3.92	4.14	22
5-Y UST	4.02	4.26	24
7-Y UST	4.19	4.43	24
10-Y UST	4.38	4.59	21
MGS	**Yields (%) 8-May-26**	**Yields (%) 15-May-26**	**Change (bps)**
3-Y MGS	3.19	3.21	2
5-Y MGS	3.35	3.37	2
7-Y MGS	3.46	3.49	4
10-Y MGS	3.56	3.58	3
GII	**Yields (%) 8-May-26**	**Yields (%) 15-May-26**	**Change (bps)**
3-Y GII	3.19	3.21	2
5-Y GII	3.33	3.35	2
7-Y GII	3.51	3.53	2
10-Y GII	3.57	3.60	2





Sources: BNM, Federal Reserve Board

- The U.S. Treasury (UST) yields edged higher in the range of 21bps and 24bps for the week ending May 15 as rising fears of inflation linked to the conflict weighed on sentiment. Tensions in the Middle East remain unresolved, with President Trump rejecting Iran’s latest proposal as unacceptable. Oil prices have continued to rise on concerns over global supply disruptions, particularly with the Strait of Hormuz still shut. At the same time, a meeting between Trump and China’s President Xi concluded without significant progress or support from Beijing. Recent CPI and PPI data also indicate that higher energy costs are feeding through to stronger inflation in the U.S.
- Malaysian Government Securities (MGS) and Government Investment Issues (GII) yields also surged by between 2bp and 4bps.
- The auction of 10-Y reopening of GII worth RM5.0 billion which was issued on May 15 drew a robust demand with a bid-to-cover (BTC) ratio of 2.9x, higher relative to the previous RM5.0 billion 10-Y reopening of GII in November 2025 with a BTC ratio of 2.6x.
- The 10y MGS/UST yield spread widened in the negative territory at 101bps relative to -82bps in the previous week.

FX MARKET: RINGGIT RECORDED WEEKLY LOSS AS THE USD INDEX REBOUNDED ABOVE THE 99.00-LEVEL

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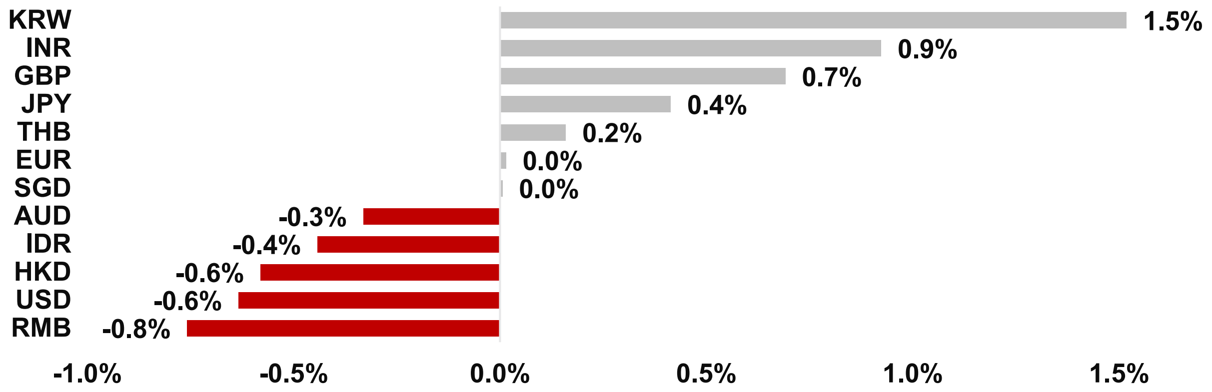
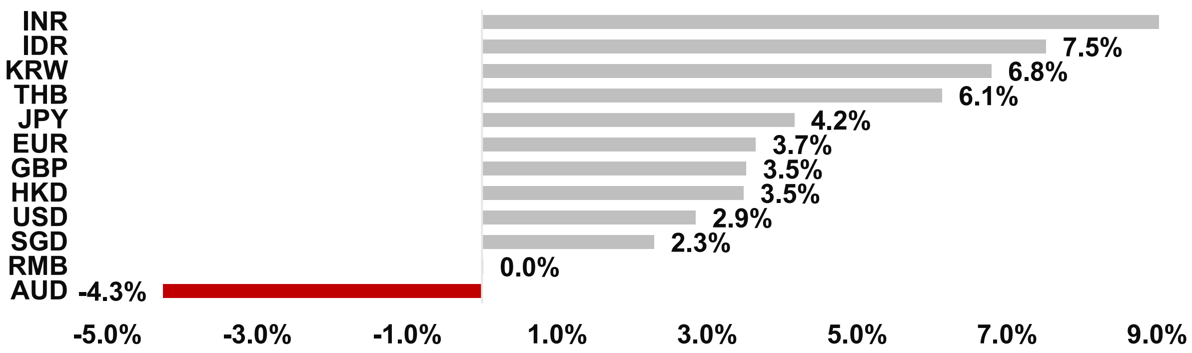
MYR Against Regional Currencies, w-o-w%



MYR Against Regional Currencies, YTD%
(As of 15 May 2026)



Sources: BNM, Federal Reserve Board (Fed), CEIC Data

- The Ringgit depreciated by 0.6% w-o-w against the USD for the week ending May 15 as the USD index strengthened by 1.4%, underpinned by lingering uncertainties over the U.S.-Iran war.
- During the week, investor sentiments remained cautious following U.S. President Trump's apparent rejection of Iran's peace proposal, which he strongly described as unacceptable, dimming initial optimism that the two countries may reach a middle ground. At the current juncture, the primary point of contention remains Iran's nuclear program. Iran has proposed to postpone related discussions in favor of ending the current war while the U.S. continues to push for a prolonged moratorium on Iran's uranium enrichment activity.
- With the U.S. dismissing Iran's response, negotiations appear to have reached an impasse. As a result, risk appetite remained subdued which drove demand for safe-haven assets, particularly the USD. As such, the USD index advanced past the key resistance of 99.00 on Friday to close at 99.28, while the USDMYR currency pair traded higher during the week, closing at 3.9565.
- Furthermore, signs of a moderation in Malaysia's economic momentum added pressure on the Ringgit. Recent data showed that the Malaysian economy expanded at a slightly slower pace of 5.4% in 1Q2026 (4Q25: 6.2%). Private consumption growth eased to 4.7% y-o-y (4Q25: 5.6%), reflecting more cautious household spending against a backdrop of rising cost pressures and heightened geopolitical risks.
- Similarly, government consumption eased to 4.1% (4Q25: 6.6%), signaling tighter fiscal conditions amid elevated energy prices linked to the U.S.–Iran conflict. Investment momentum also softened to 7.3% (4Q25: 9.3%) as rising input costs and ongoing supply chain disruptions led to delays across infrastructure development projects.

COMMODITY: OIL RALLY STRENGTHENS ON ESCALATING U.S.-IRAN TENSIONS AND FALLING U.S. STOCKPILES

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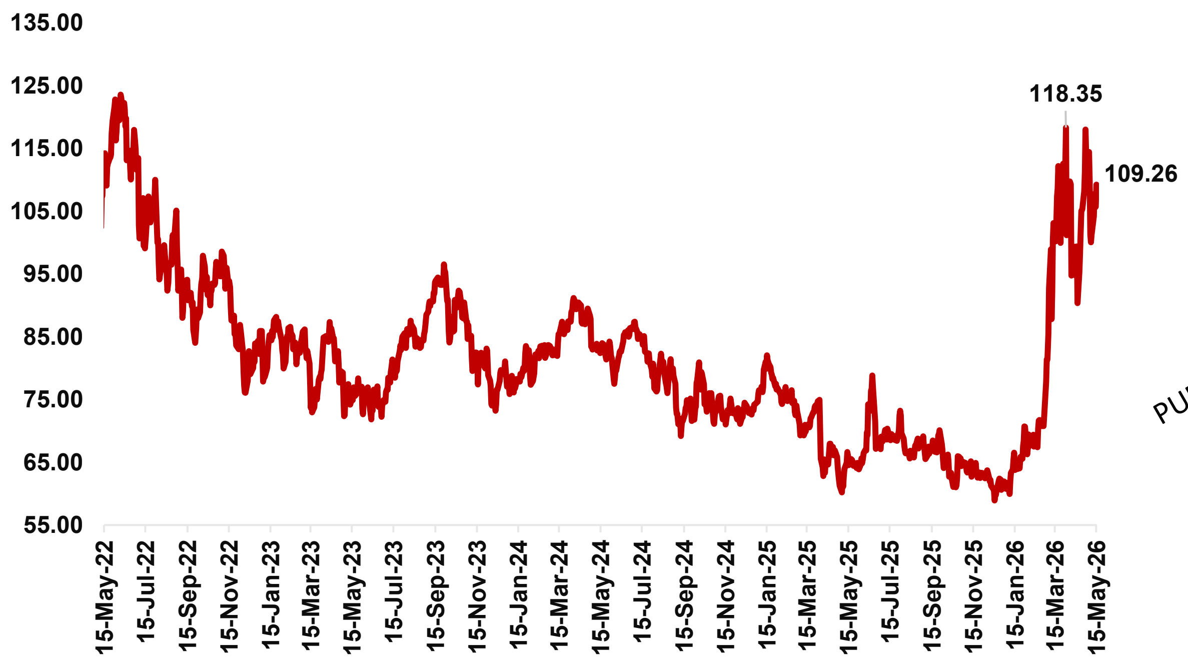
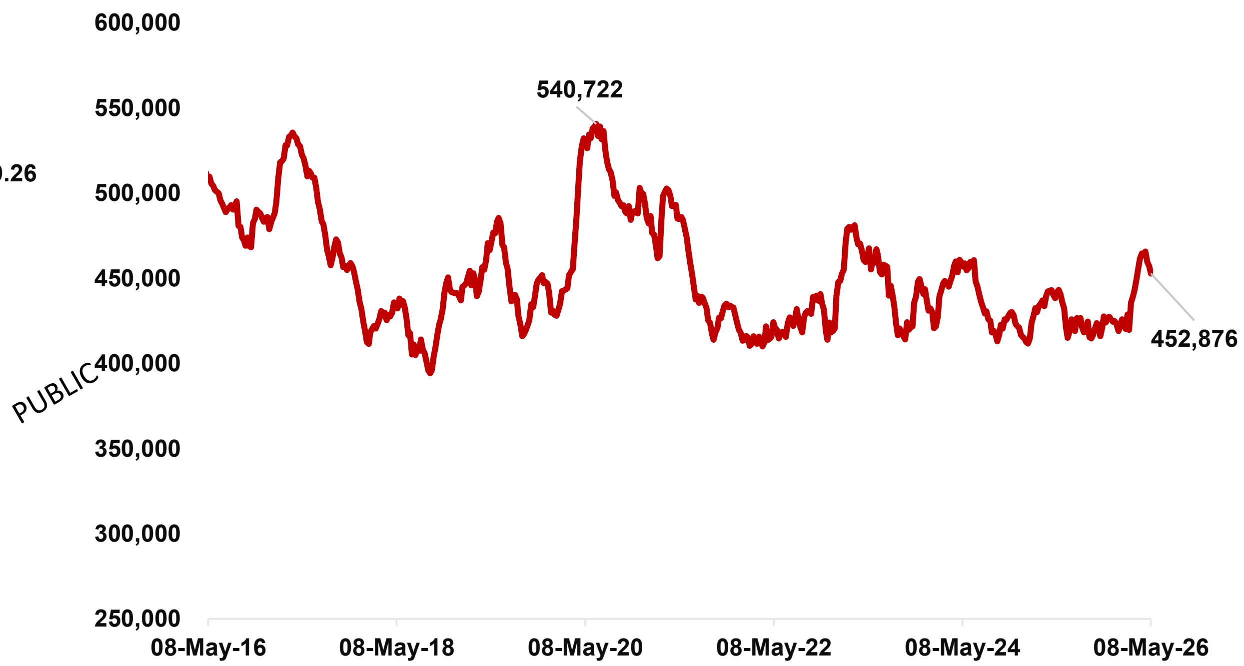
Brent Crude in USD per barrel



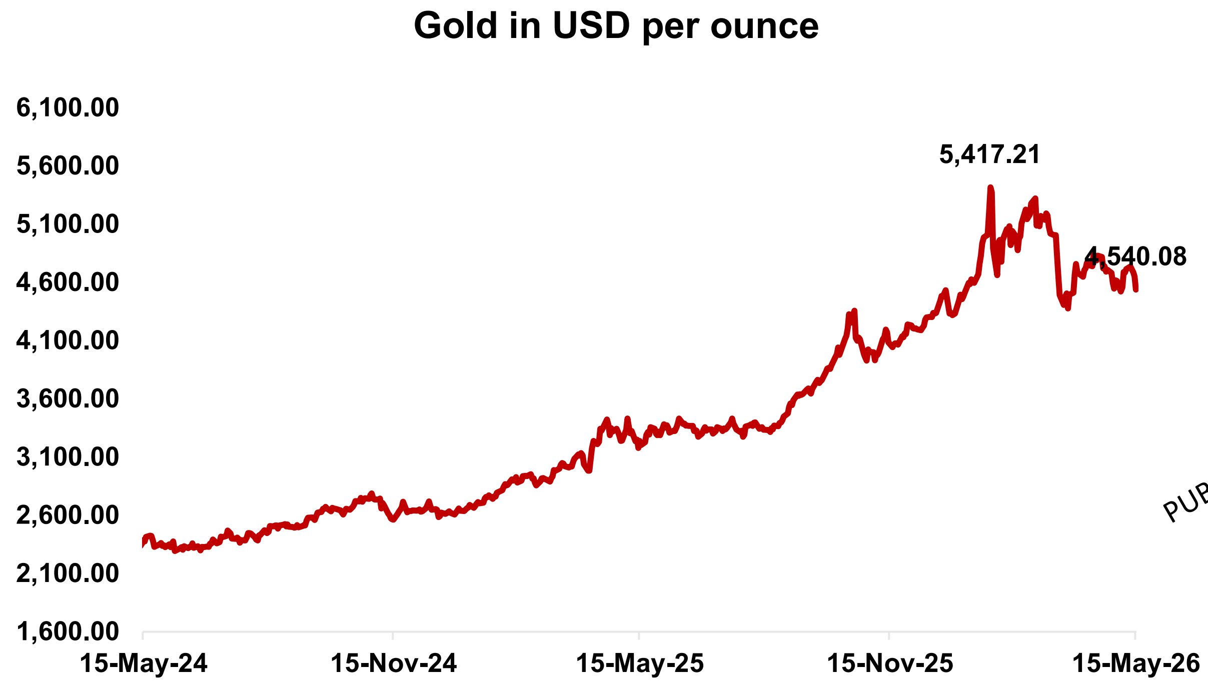
U.S. Crude Oil Inventory, '000 barrel - EIA

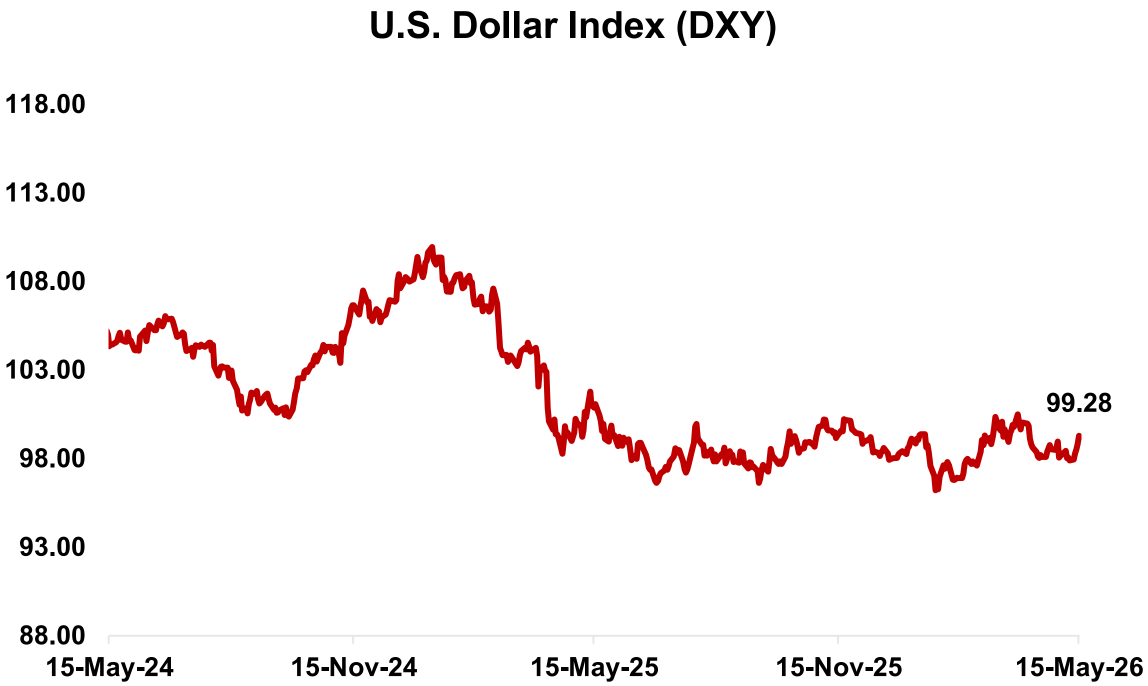


Sources: Bloomberg, Energy Information Administration (EIA)

- Brent oil prices surged on Friday (May 15), rising by 7.9% w-o-w to close at USD109.26/barrel, as Trump declared he “will not tolerate” Iran’s actions much longer, signaling potential military escalation that could further disrupt the oil supply.
- Market sentiment also worsened after U.S. President Trump failed to gain China’s support in effort to reopen the Strait of Hormuz. This increase fears that supply disruptions could persist longer than expected.
- Additionally, U.S. crude oil inventories dropped by 4.3 million barrels to 452.9 million for the week ending May 8, pushing the oil price higher.

COMMODITY: GOLD PRICE PLUNGED LAST WEEK AS LINGERING UNCERTAINTIES FUELED CAUTION





Sources: Bloomberg, CEIC Data

- Gold price (XAU) declined sharply by 3.7% last week as persistent uncertainties surrounding diplomatic progress in the U.S.-Iran war continued to weigh on investor risk appetite. Coupled with the escalating rhetoric by U.S. President Donald Trump via social media, the limited visibility over ongoing negotiations had fueled concerns over the fragility of the ceasefire and prompted caution as investors closely monitor the geopolitical developments.
- On the technical front, the XAU broke decisively below the immediate floor of 4,700 on 13 May, signaling a shift from its recovering momentum in the preceding week. The XAU tested and subsequently breached the next support around 4,600 on 15 May, closing the week at USD 4,540.08.

WHAT TO LOOK OUT FOR IN THE MARKETS THIS WEEK

- Global markets are likely to remain volatile this week as investors assess the outcome of the G7 meeting along with shifting expectations under new Federal Reserve (Fed) Chair Kevin Warsh. The G7 discussions are expected to focus on trade imbalances, supply chain resilience, and geopolitical risks. Markets would also turn cautious as Powell officially ended his term on May 15 after 14 years of service, while Kevin Warsh preparing to take over, prompting uncertainty over the future direction of U.S. monetary policy and Fed Independence. The new Fed Chair has signaled his focus remains in controlling inflation, not reducing interest rates as demanded by Trump allies. Additionally, he proposed an ambitious three-part plan including cutting the Fed's USD 6.7 trillion balance sheet towards USD 3.0 trillion, reforming inflation measurement methodologies, as well as abandoning the press conference format. The greenback could remain volatile in the near term as investors evaluate Warsh's policy direction and inflation developments. Markets will also remain highly sensitive to geopolitical developments involving the U.S.-Iran conflict.

- In Europe and the UK, inflation and growth concerns are expected to dominate market sentiment throughout the week. The Euro area and UK inflation that will be released on Wednesday are projected to remain elevated, reinforcing expectations that both central banks to maintain a cautious and restrictive monetary policy stance. At the same time, the anticipated rise in the UK's unemployment rate to 4.9% suggests that tighter financial conditions are beginning to weigh on labor market activity. UK Services PMI remaining above 50 would still indicate moderate expansion, although underlying momentum appears softer compared to previous quarters. Across the Eurozone, manufacturing PMIs are expected to stay below the neutral 50 level, highlighting continued weakness in industrial activity, particularly in Germany.

- In Asia, this week attention will center on whether China's latest activity indicators confirm further moderation in domestic demand and industrial momentum. China's retail sales are expected to remain relatively soft after posting a 1.7% gain in March, suggesting that household spending recovery is still uneven despite policy support measures. Meanwhile, industrial production is forecasted at 5.9% (March: 5.7%), which may still indicate resilience in manufacturing exports, although external demand risks remain elevated amid global trade uncertainty. In Japan, weaker 1Q26 GDP expectations together with upcoming inflation data could complicate the Bank of Japan's normalization path, especially if domestic demand remains fragile. Meanwhile, Malaysia will release its inflation and external trade statistics this week. Its headline inflation is expected to accelerate further in April amid upward price pressures mainly from elevated transport cost, while exports growth to moderate further due to a more challenging external environment that would affect demand.

THANK YOU