



WEEKLY ECONOMIC UPDATE

18 AUGUST 2025

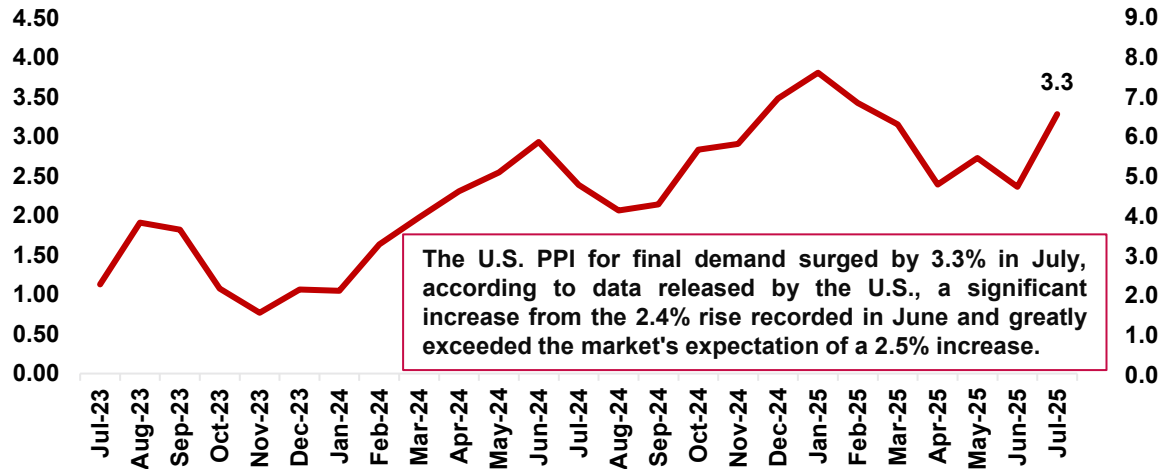
ECONOMIC RESEARCH

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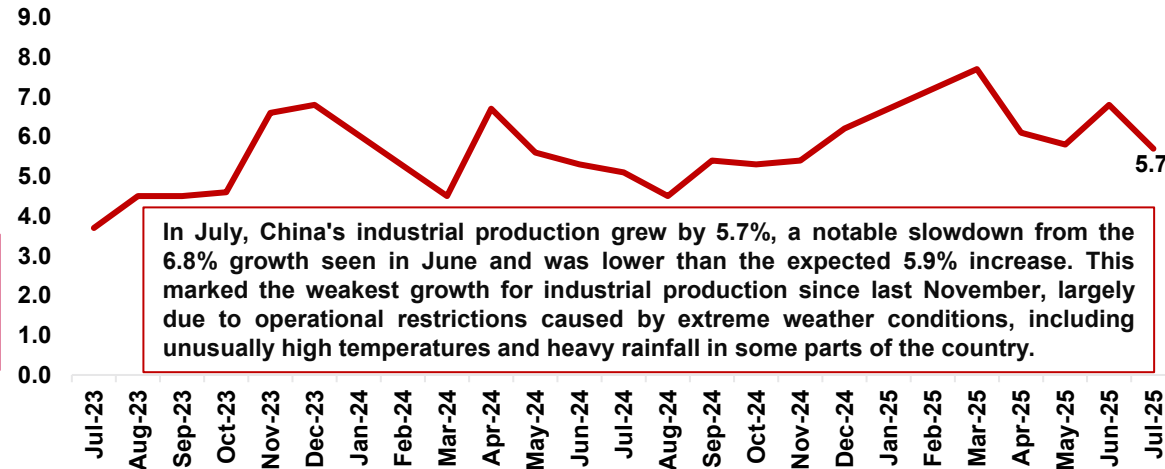
WEEKLY HIGHLIGHT: MALAYSIA'S ECONOMY GREW BY 4.4% IN 2Q2025, PRIMARILY FUELED BY STRONG DOMESTIC DEMAND

GLOBAL

U.S. - Producer Price Index (PPI), y-o-y%

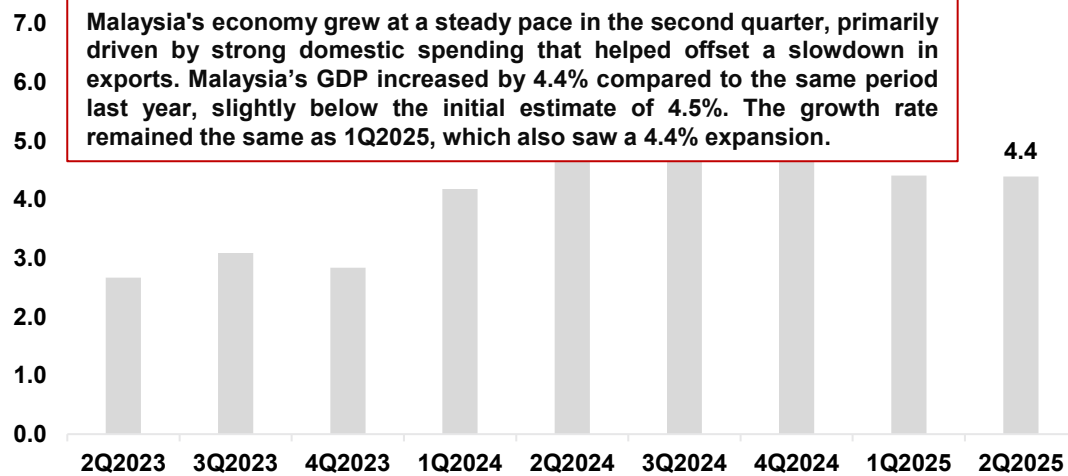


China - Industrial Production Index (IPI), y-o-y%

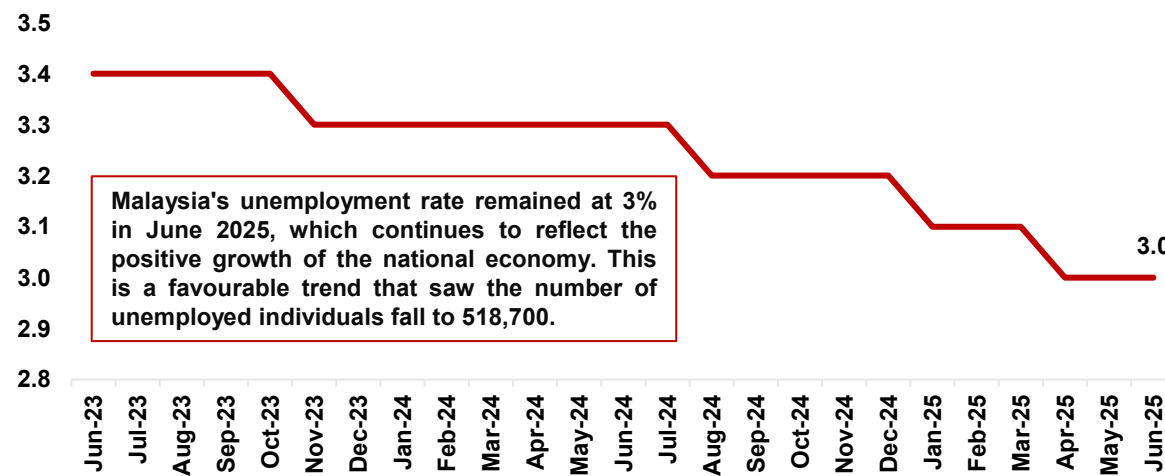


DOMESTIC

Malaysia - Real GDP growth, y-o-y%

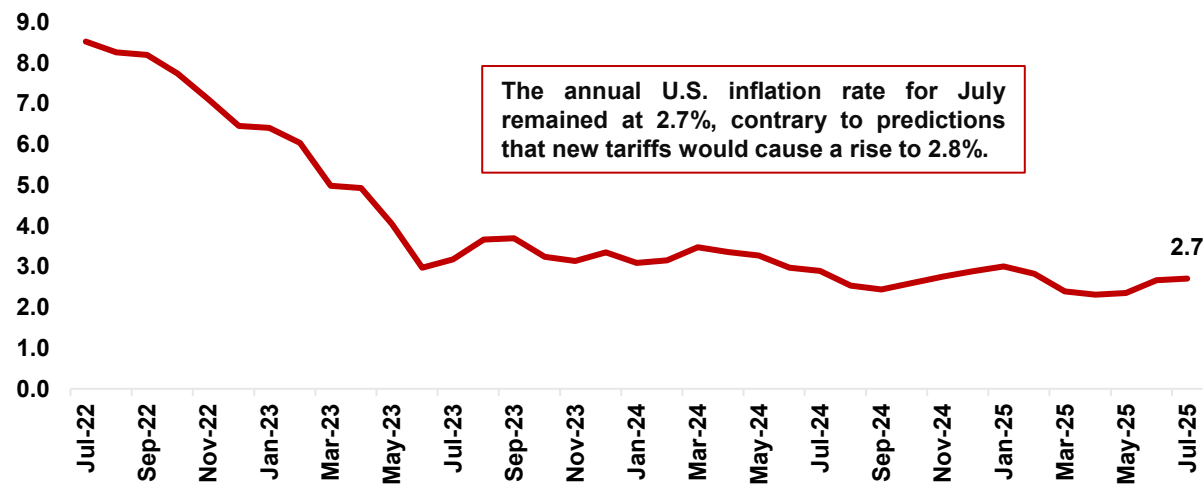


Malaysia - Unemployment Rate, %

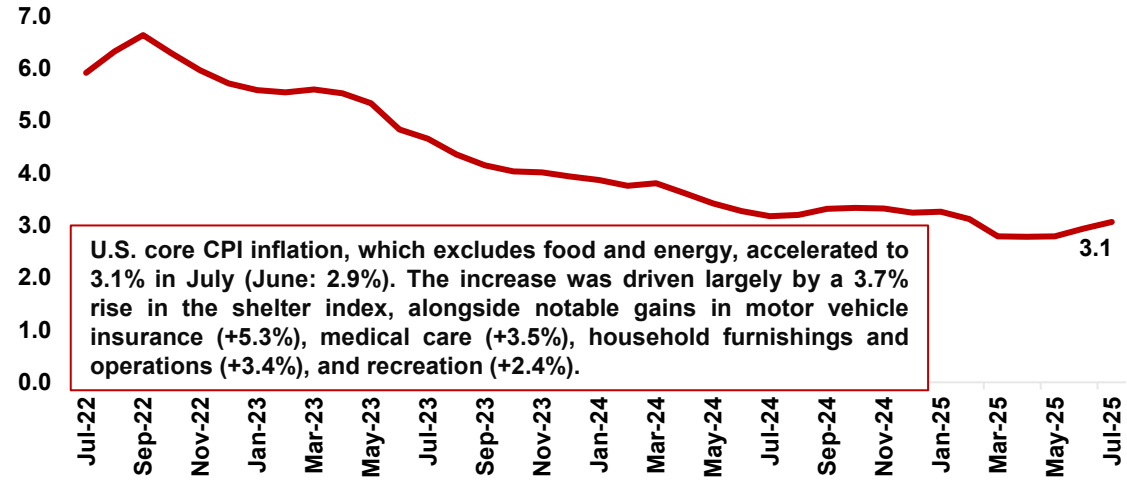


U.S. WEEKLY HIGHLIGHT: U.S. CPI ROSE LOWER-THAN-EXPECTED ON TARIFF WORRIES

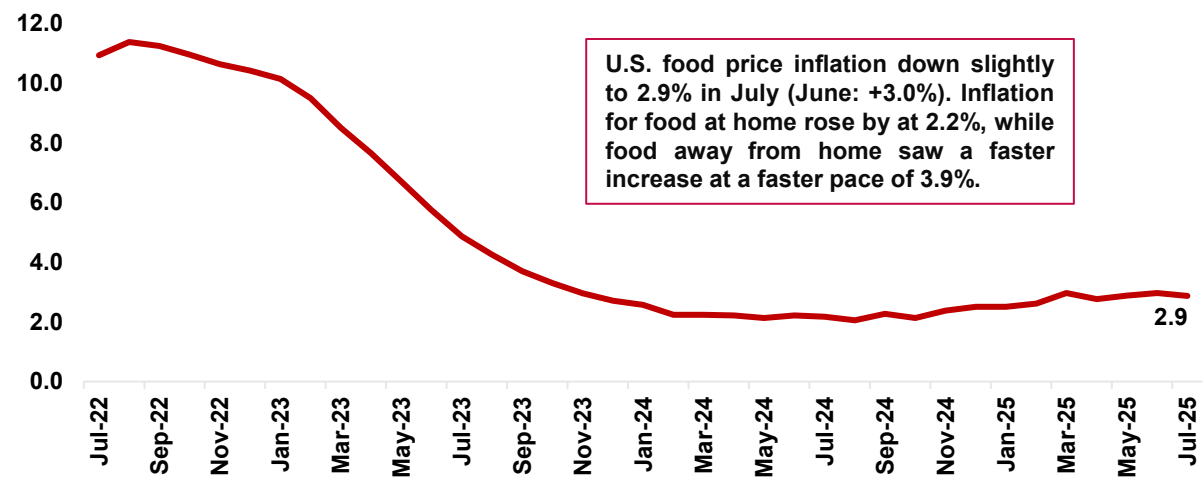
U.S. CPI, y-o-y%



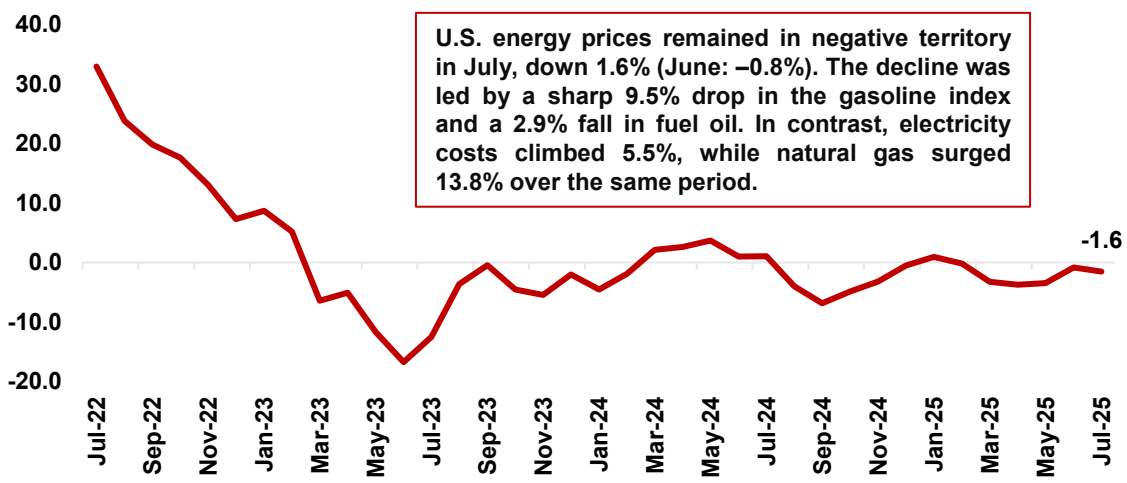
U.S. CPI (All Items less Food and Energy), y-o-y%



U.S. CPI (Food), y-o-y%



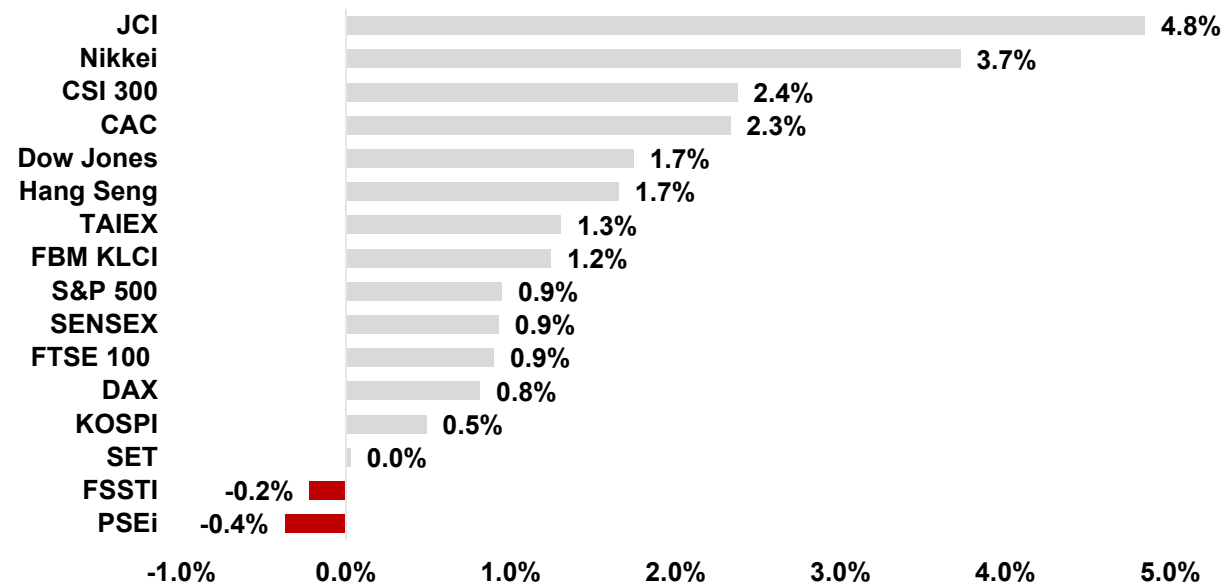
U.S. CPI (Energy), y-o-y%



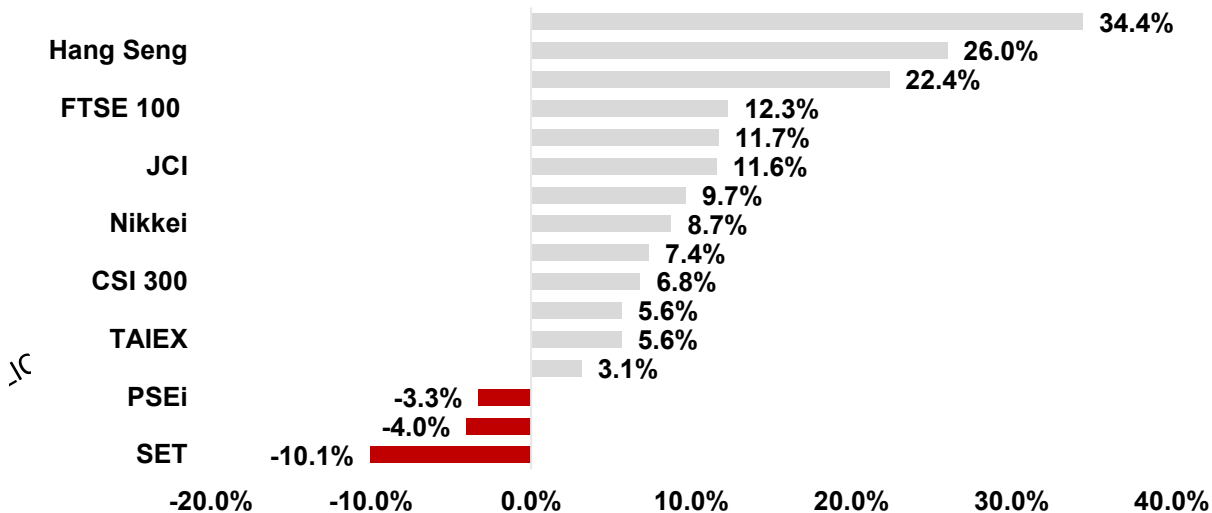
REGIONAL EQUITY: GLOBAL EQUITIES CLIMB AS INDONESIA LEADS AHEAD OF FY2026 BUDGET, U.S. GAINS TEMPERED BY POLICY UNCERTAINTY



Weekly Gain/Loss of Major Equity Market, w-o-w%



YTD Gain/Loss of Major Equity Markets, %
(As of 15 August 2025)

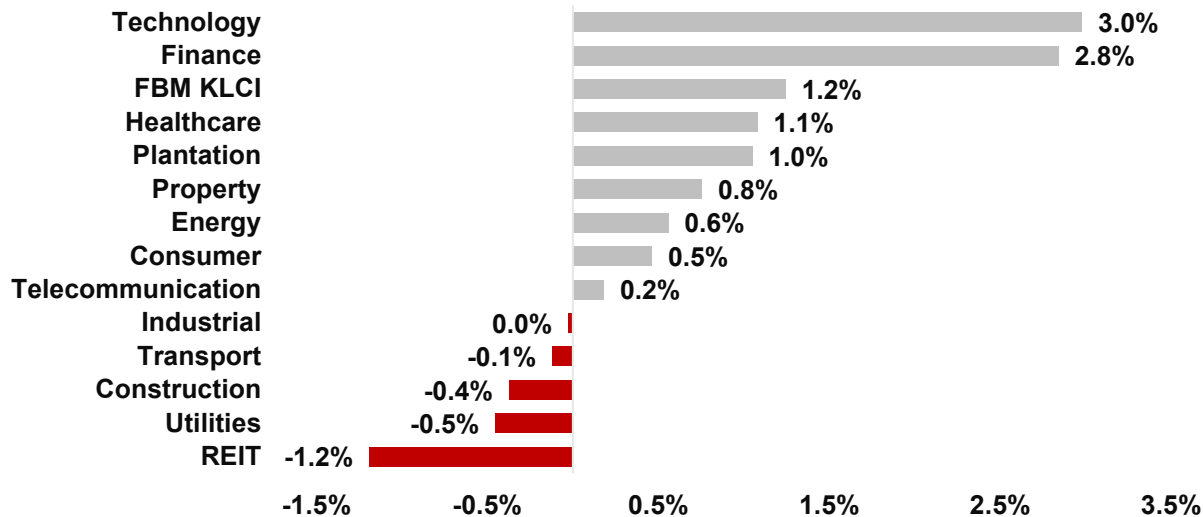


Sources: Bursa, CEIC Data

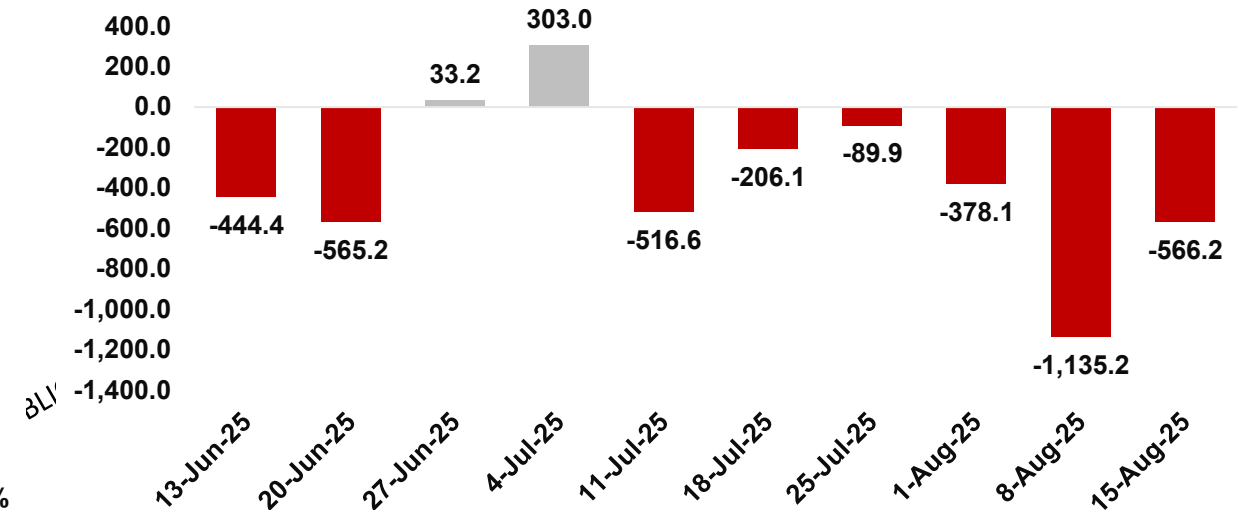
- Global equity markets mostly ended the week in positive territory as of August 15, with Indonesia’s Jakarta Composite Index (JCI) emerging as the standout performer, advancing 4.8%. The JCI climbed to a fresh record high ahead of the government’s FY2026 budget announcement, which President Prabowo Subianto is scheduled to present to Parliament today. Investors are closely watching the GDP growth forecast, particularly against the backdrop of the recently imposed 19% U.S. tariffs on Indonesian exports. For now, both Parliament and the government have outlined a preliminary growth target for the 2026 Draft State Budget in the range of 5.2% to 5.8%.
- U.S. stocks – Dow Jones (+1.7%) and S&P 500 (+0.9%) surged as market confidence was bolstered by a 12% rise in UnitedHealth shares, which followed the announcement that Berkshire Hathaway had acquired a significant stake and a report showing a 0.5% increase in July retail sales, which met market expectations. However, overall market sentiment remained cautious due to the upcoming meeting between President Trump and Russian President Putin, as well as uncertainty surrounding Trump's proposed new tariffs on steel and semiconductors.
- In contrast, Philippines’ PSEi (-0.4%) and Singapore’s FSSTI (-0.2%) were the biggest losers for the week ending August 15.

DOMESTIC EQUITY: INVESTOR SENTIMENTS WERE LIFTED BY SOLID 2Q2025 GROWTH

Weekly Bursa Sectoral Performance, w-o-w%



Weekly Foreign Fund Net Inflows/Outflows, RM Million



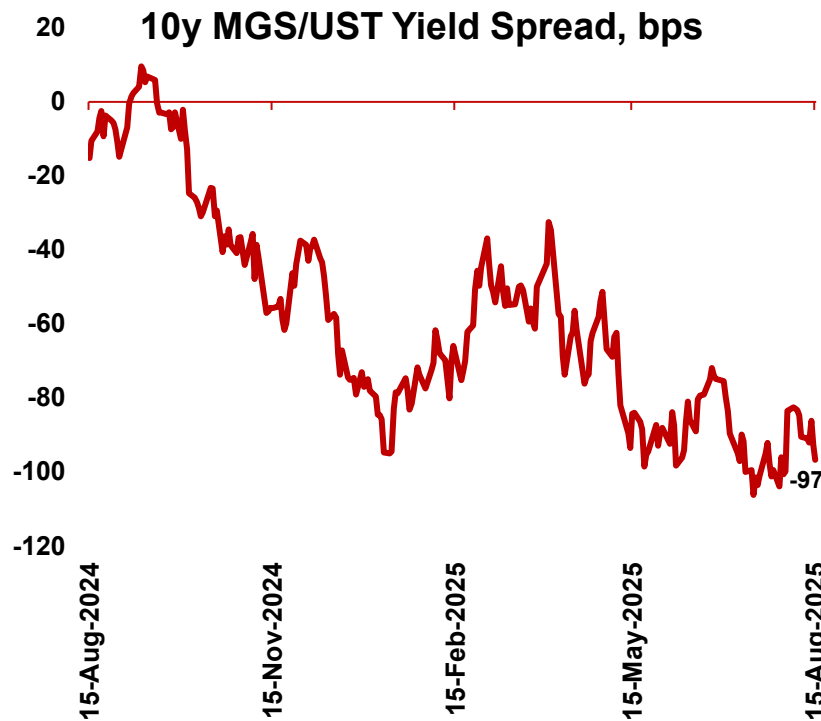
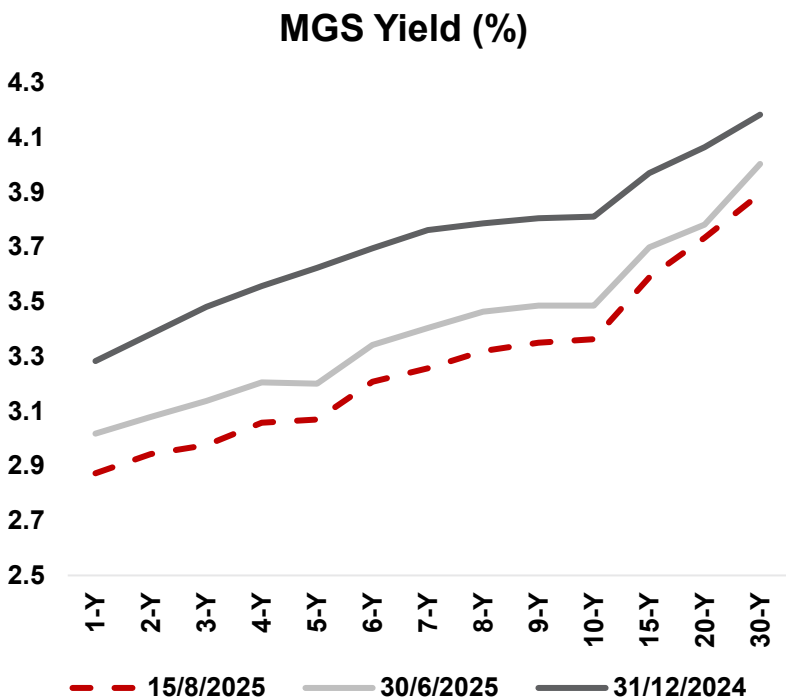
Sources: Bursa, CEIC Data

- The FBM KLCI rose by 1.2% w-o-w for the week ending August 15, underpinned by increased buying interest in the local market following the release of the 2Q2025 growth figures.
- The Malaysian economy proved to be resilient as it expanded by 4.4% y-o-y in 2Q25, recording the same pace as the previous quarter, amid accelerations in the Services (2Q25: +5.1% vs. 1Q25: +5.0%) and Agriculture (2Q25: +2.1% vs. 1Q25: +0.7%) sectors while the Manufacturing (2Q25: +3.7% vs. 1Q25: +4.1%) and Construction (2Q25: +12.1% vs. 1Q25: +14.2%) sectors recorded slight moderations. On the flip side, the Mining sector persisted in its decline, marking a steeper slump of 5.2% (1Q25: -2.7%).
- Most Bursa indices closed in the green with the Technology index surging by 3.0%, followed closely by the Finance index (+2.8%). Meanwhile, the REIT index emerged as the biggest loser, declining by 1.2%. This is followed by the Utilities (-0.5%) and Construction (-0.4%) indices.
- Foreign investors persisted as net sellers for the sixth straight week, shedding a total of RM566.2 million worth of equities. This had increased the cumulative net outflow thus far to RM15.4 billion.

FIXED INCOME: UST YIELDS SURGED AS MARKET REASSESSED FED PATH FOLLOWING STRONG PPI REPORT



Weekly Changes, basis points (bps)			
UST	Yields (%) 8-Aug-25	Yields (%) 15-Aug-25	Change (bps)
3-Y UST	3.70	3.73	3
5-Y UST	3.84	3.85	1
7-Y UST	4.03	4.07	4
10-Y UST	4.27	4.33	6
MGS	Yields (%) 8-Aug-25	Yields (%) 15-Aug-25	Change (bps)
3-Y MGS	3.03	2.98	-1
5-Y MGS	3.11	3.07	-4
7-Y MGS	3.28	3.26	-2
10-Y MGS	3.37	3.36	-1
GII	Yields (%) 8-Aug-25	Yields (%) 15-Aug-25	Change (bps)
3-Y GII	3.06	3.02	-4
5-Y GII	3.15	3.13	-2
7-Y GII	3.26	3.24	-2
10-Y GII	3.40	3.38	-2



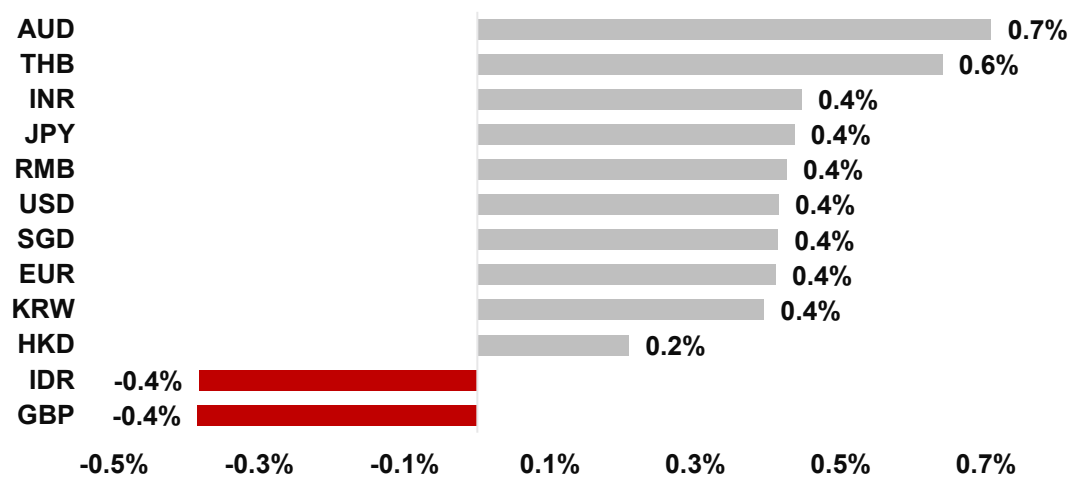
Sources: BNM, Federal Reserve Board

- The U.S. Treasury (UST) yields climbed in the range of 1bp and 6bps for the week ending August 15 as expectations for a significant half-point interest rate cut by the Federal Reserve (Fed) in September have cooled following a surprisingly hot wholesale inflation report. U.S. PPI for July jumped 0.9% m-o-m, marking the biggest increase in three years and significantly exceeding the 0.2% forecast. Annually, the index rose by 3.3%. While markets still anticipate a 25bp cut with more than a 90% probability, the chances of a larger 50bp reduction are now off the table.
- Malaysian Government Securities (MGS) and Government Investment Issues (GII) yields ended lower by between -1bp and -4bps.
- The auction of 15-Y reopening of GII worth RM4.0 billion which was issued on August 15 drew a strong demand with a bid-to-cover (BTC) ratio of 2.8x, albeit lower relative to the previous RM4.0 billion 15-Y reopening of GII in April 2025 with a BTC ratio of 3.4x.
- The 10y MGS/UST yield spread widened slightly in the negative territory at 97bps relative to -90bps in the previous week.

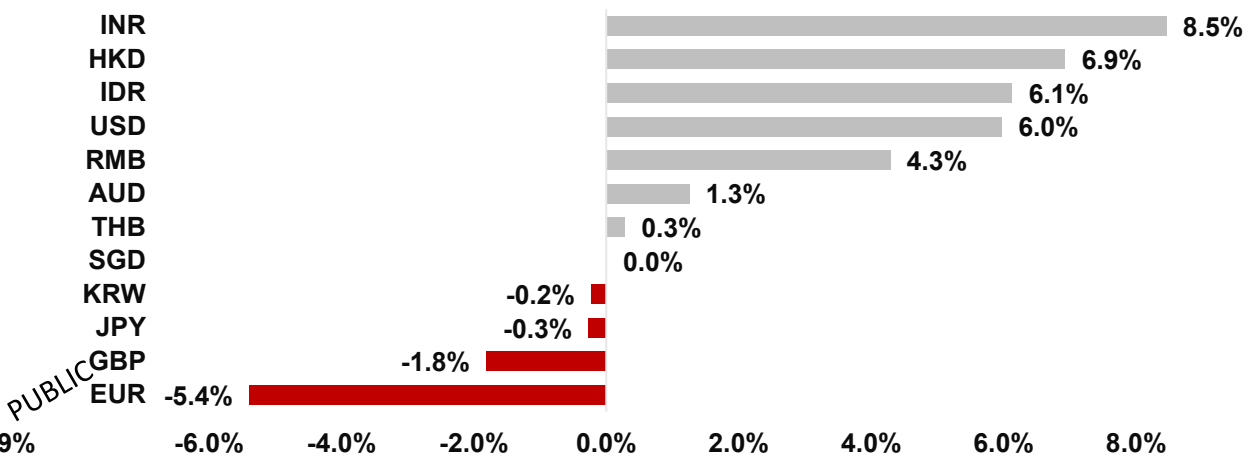
FX MARKET: RINGGIT TO TRADE CAUTIOUSLY AHEAD OF FED CHAIR POWELL'S JACKSON HOLE SYMPOSIUM APPEARANCE



MYR Against Regional Currencies, w-o-w%



MYR Against Regional Currencies, YTD%
(As of 15 August 2025)



Sources: BNM, CEIC Data

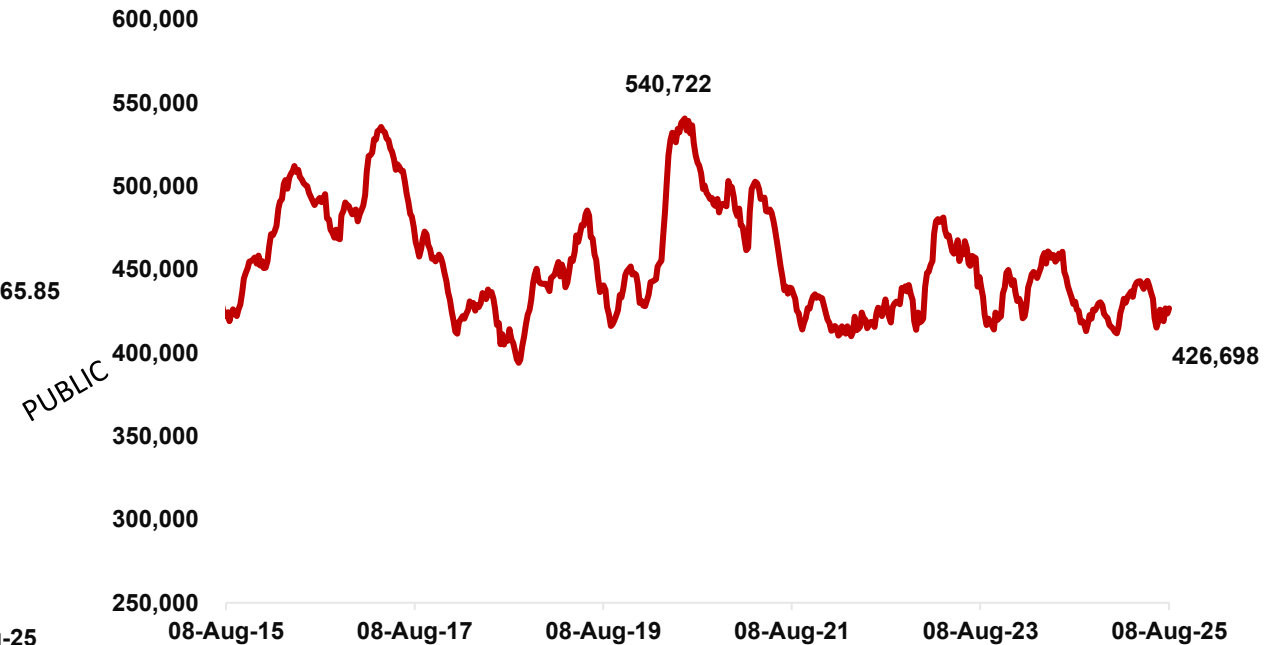
- The Ringgit appreciated by 0.4% w-o-w for the week ending August 15, supported by the USD index declining by 0.3% w-o-w as latest U.S. inflation figures kept rate cut hopes alive.
- Of note, U.S. headline inflation rose by 2.7% y-o-y in July, at the same pace as recorded in June and missing estimates of a 2.8% rise. On a monthly basis, headline inflation ticked up by 0.2%, marginally slower than 0.3% in June. As such, these softer figures had increased the likelihood for a rate cut in the Fed's upcoming meeting, exerting pressure on the USD.
- On the flip side, underlying price pressures paint a more complicated picture as core inflation had increased faster than expected at 3.1% y-o-y in the same month from 2.9% in June (Est: 3.0% y-o-y). On a monthly basis, core CPI (July: 0.3% vs. June: 0.2%) marked the fastest pace of increase since January. Given that prices of goods are expected to tick up further following the tariff escalation in August, the inflation outlook remains a heavy cloud over the Fed's policy path.
- Nevertheless, at the current juncture, concerns of a rapidly cooling labor market and softer economic activity bolsters market expectations of the Fed delivering a cut in September.

COMMODITY: BRENT CRUDE SLIPS AHEAD OF U.S.-RUSSIA TALKS; PEACE PROSPECTS IN FOCUS

Brent Crude in USD per barrel



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

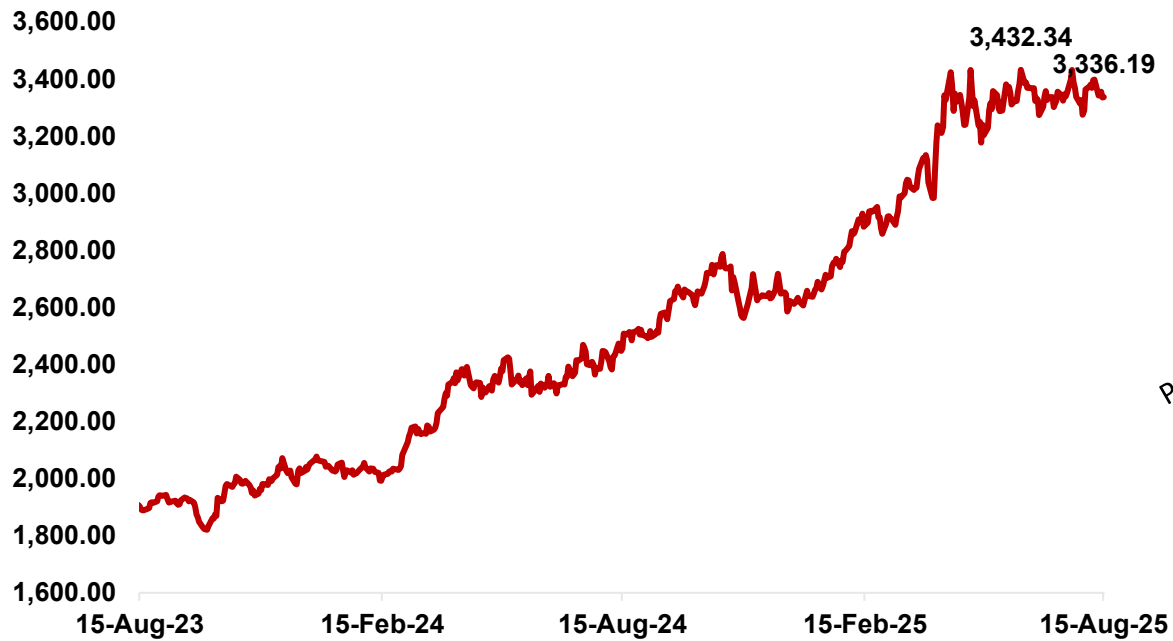


Sources: Bloomberg, Energy Information Administration (EIA)

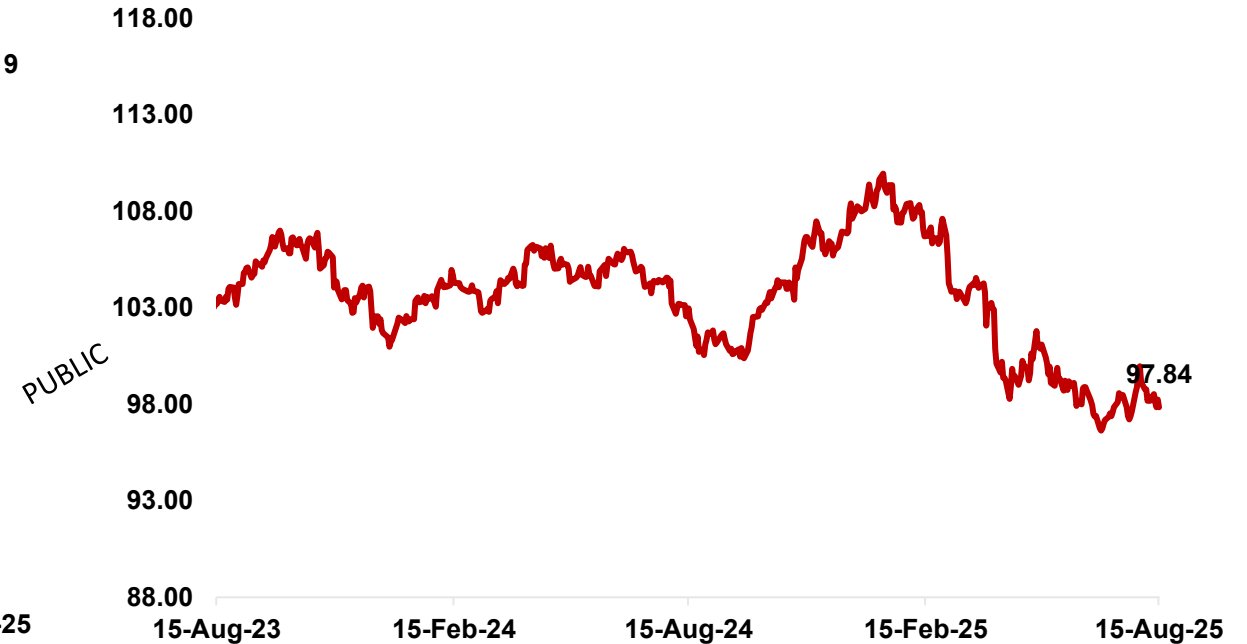
- On Friday (August 15), Brent crude oil declined by nearly US\$1 to close at USD65.85 per barrel, as markets turned cautious ahead of anticipated talks between U.S. President Trump and Russian President Vladimir Putin. On weekly basis, oil prices fell by 1.1%. The meeting raised expectations of a possible easing of sanctions on Moscow related to the Ukraine conflict, which could potentially increase Russian oil supply and exert downward pressure on global prices.
- Trump stated that he believes Russia is ready to negotiate an end to the war, but he also warned that the U.S. may impose secondary sanctions on countries continuing to purchase Russian oil if no progress is made toward peace.
- U.S. crude oil inventories declined by 3.0 million barrels to 426.7 million barrels for the week ending August 8.

COMMODITY: GOLD PRICE ON TRACK FOR WEEKLY LOSS AMID EASING TENSIONS

Gold in USD per ounce



U.S. Dollar Index (DXY)



Sources: Bloomberg, CEIC Data

- The bullion price plunged by 1.8% w-o-w last week, dragged by easing U.S.-China trade tensions as both countries agreed to extend their negotiation window for another 90 days.
- Furthermore, U.S. President Trump and Russian President Putin had given positive signals following their meeting in Alaska where they discuss the possibilities of a ceasefire between Russia and Ukraine, causing the bullion price to retreat further.

WHAT TO LOOK OUT FOR IN THE MARKETS THIS WEEK

- All eyes will focus on Federal Reserve Chair Jerome Powell this week as investors seek clarity on the central bank's next interest-rate moves. Federal Reserve Chair Jerome Powell is scheduled to deliver a key speech on the economic outlook and the Fed's policy framework review this Friday at the Kansas City Fed's annual Jackson Hole symposium. His remarks come amid signs that tariffs are beginning to impact inflation, while the labour market shows signs of softening, a combination that has heightened expectations for a 25-basis-point rate cut at the Fed's upcoming meeting in September. Powell faces growing pressure to cut rates, but conflicting economic data, between persistent inflation and a labor market that is now showing signs of easing has put the Fed in a tough spot. Additionally, U.S. President Donald Trump escalated his criticism of Powell, following weeks of public pressure that have raised concerns about the central bank's independence.
- This week, market will also focus on the ongoing negotiations to end the conflict in Ukraine. The diplomatic efforts involving U.S. President Trump, Russian President Vladimir Putin, and Ukrainian President Volodymyr Zelensky have intensified during the weekend with discussions focusing on potential peace terms. Russia is demanding full control over the Donetsk region as part of any peace agreement. According to sources, Putin offered to freeze much of the current front line in exchange for Ukraine's full concession of the Donetsk region, a key strategic and industrial area Moscow has long sought to control. Trump described Russia as "a very big power" and implied that prolonging the conflict would only worsen the situation for Kyiv. The pressure on Ukraine to strike a deal, combined with geopolitical uncertainty, could raise volatility across global assets this week.
- Meanwhile, in Indonesia, another interest rate cut is anticipated this week, following a 25-basis point (bps) reduction in July 2025. The previous cut brought the benchmark rate to 5.25%, marking the third easing move this year, as Bank Indonesia responded to moderating inflation and the need to support economic growth. The central bank is expected to continue assessing the potential for further rate cuts, while maintaining a data-dependent approach focused on sustaining rupiah stability and keeping inflation within its target range. Indonesia's economy expanded by 5.1% y-o-y in 2Q2025 (1Q2025: 4.9%), recording its fastest pace of growth since 2Q2023. The performance was driven by a sharp rebound in fixed investment and steady private consumption. On the external front, exports surged by 10.67% (1Q2025: 6.46%), partly reflecting front-loaded shipments ahead of the implementation of new U.S. tariffs in August.

BANK ISLAM

THANK YOU