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WEEKLY ECONOMIC UPDATE

21 OCTOBER 2025

ECONOMIC RESEARCH

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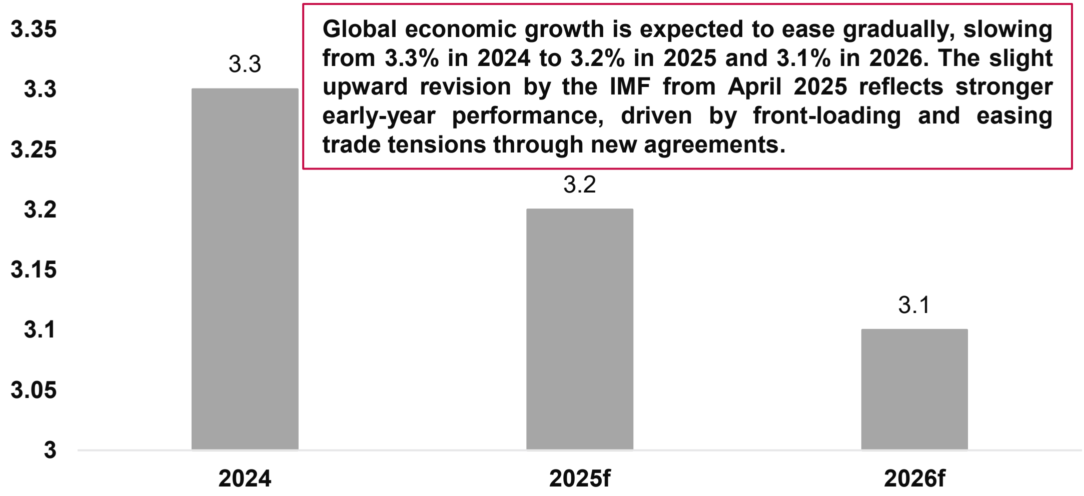
WEEKLY HIGHLIGHT: MALAYSIA'S 3Q2025 GDP ADVANCE ESTIMATE HITS 5.2%, LED BY STRONG DOMESTIC DEMAND AND SECTOR RECOVERY

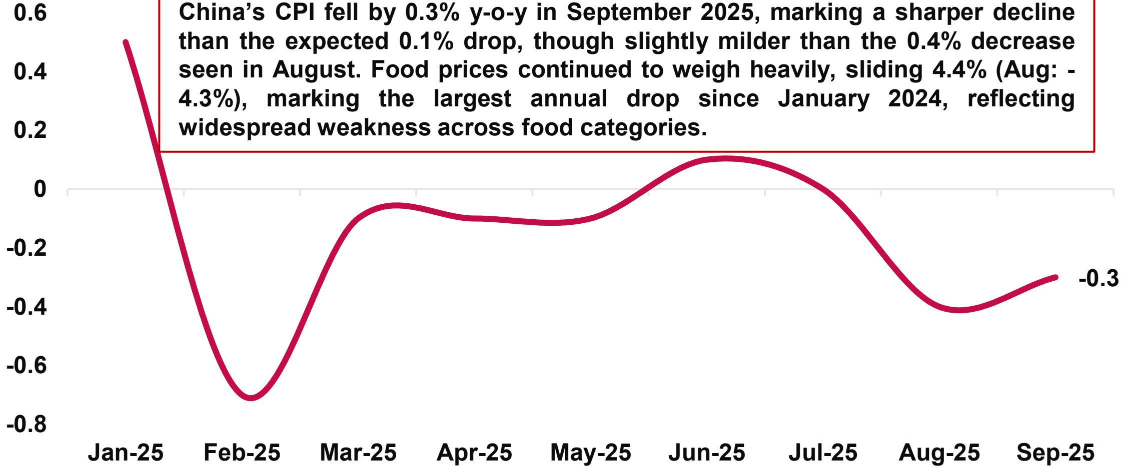
GLOBAL

Global GDP Growth Projection, y-o-y%



Global economic growth is expected to ease gradually, slowing from 3.3% in 2024 to 3.2% in 2025 and 3.1% in 2026. The slight upward revision by the IMF from April 2025 reflects stronger early-year performance, driven by front-loading and easing trade tensions through new agreements.

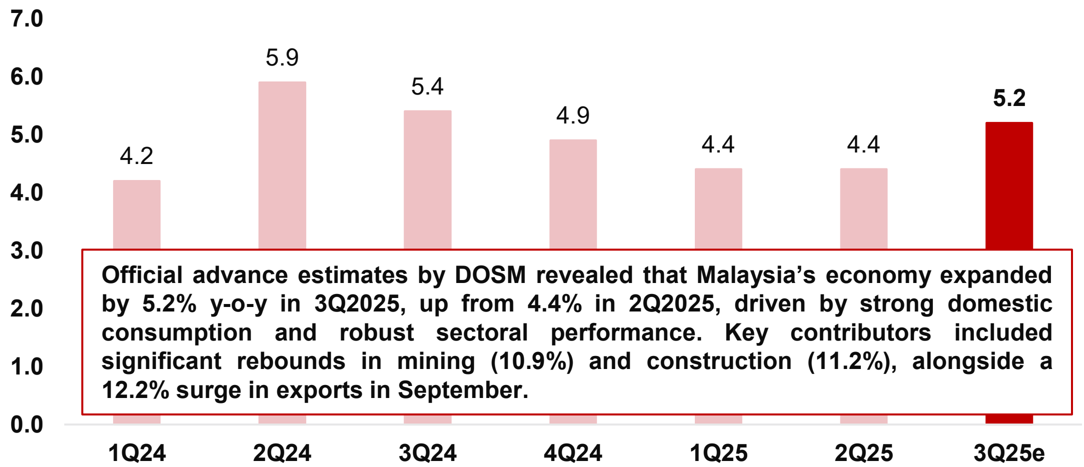
China – Consumer Price Index y-o-y%



China's CPI fell by 0.3% y-o-y in September 2025, marking a sharper decline than the expected 0.1% drop, though slightly milder than the 0.4% decrease seen in August. Food prices continued to weigh heavily, sliding 4.4% (Aug: -4.3%), marking the largest annual drop since January 2024, reflecting widespread weakness across food categories.

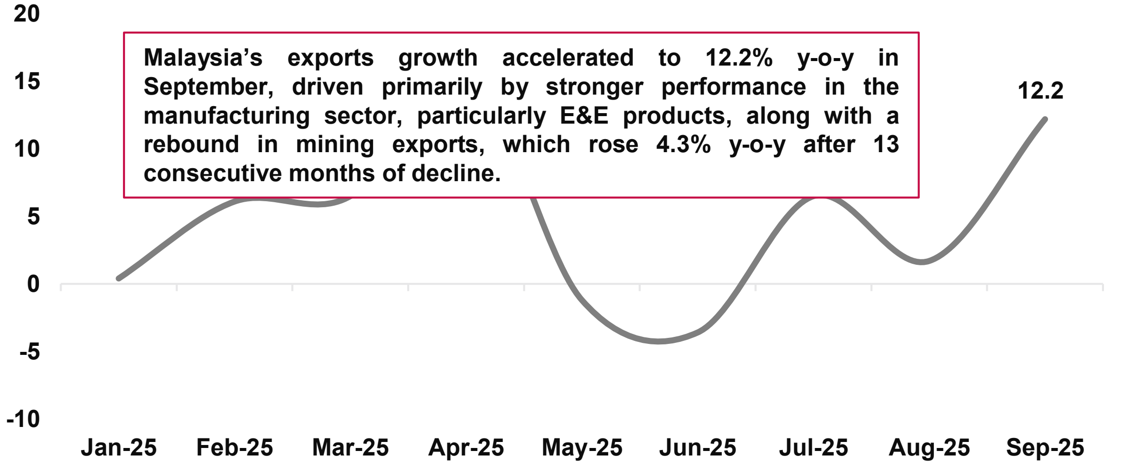
DOMESTIC

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



Official advance estimates by DOSM revealed that Malaysia's economy expanded by 5.2% y-o-y in 3Q2025, up from 4.4% in 2Q2025, driven by strong domestic consumption and robust sectoral performance. Key contributors included significant rebounds in mining (10.9%) and construction (11.2%), alongside a 12.2% surge in exports in September.

Malaysia – Exports, y-o-y%



Malaysia's exports growth accelerated to 12.2% y-o-y in September, driven primarily by stronger performance in the manufacturing sector, particularly E&E products, along with a rebound in mining exports, which rose 4.3% y-o-y after 13 consecutive months of decline.

Sources: International Monetary Fund (IMF), DOSM, CEIC Data

REGIONAL EQUITY: GLOBAL EQUITIES ENDED MIX AMID SUBDUED INVESTOR SENTIMENTS

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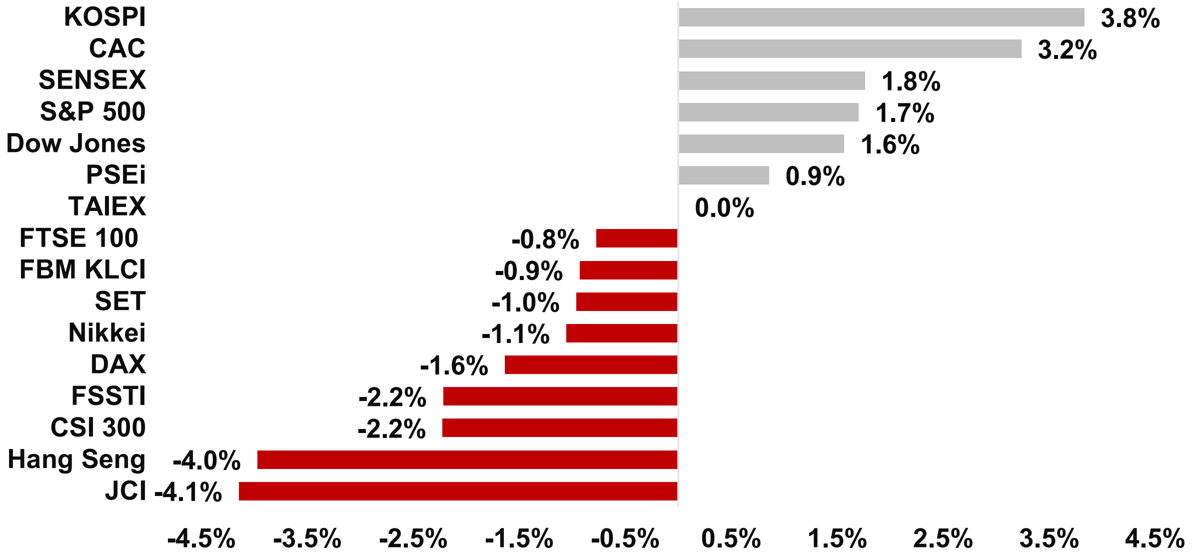
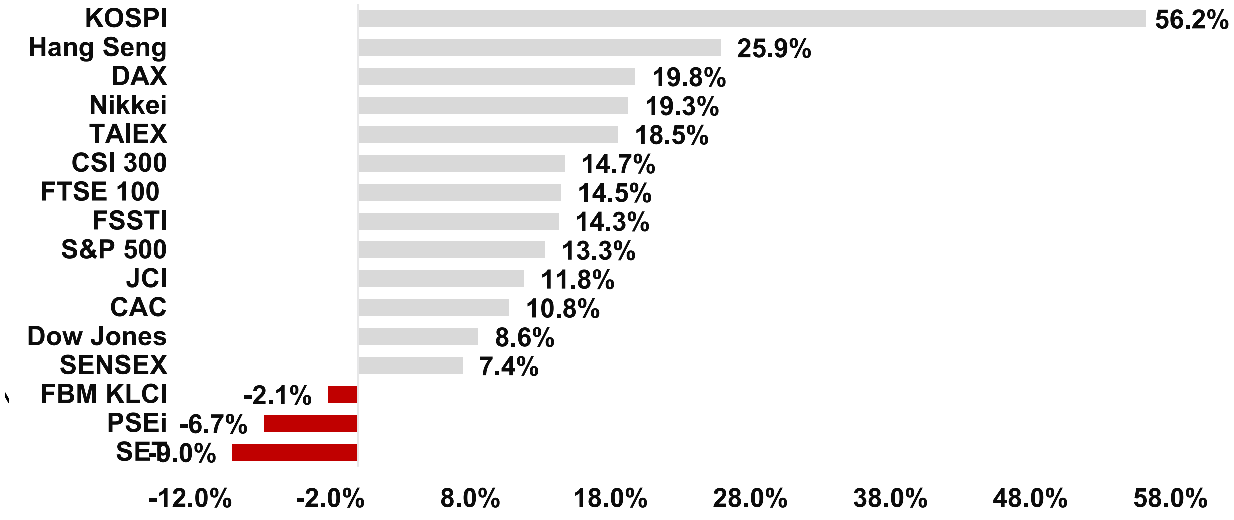
Weekly Gain/Loss of Major Equity Market, w-o-w%



YTD Gain/Loss of Major Equity Markets, % (As of 17 October 2025)



Sources: Bursa, CEIC Data

- Global equities ended mixed for the week ending October 17, weighed down by subdued risk appetite as global political and fiscal concerns dampened investor confidence.
- This had notably prompted heavy sell-offs across emerging market assets with Indonesia's JCL (-4.1%) and Hong Kong's Hang Seng (-4.0%) staging the steepest losses, followed by China's CSI 300 and Singapore's FSSTI, both down by 2.2%.
- Meanwhile, Japan's Nikkei index had slipped by 1.1% amid prolonged uncertainties surrounding Sanae Takaichi's bid for the Prime Minister position alongside the rising likelihood of a united opposition bloc. Nevertheless, the Japanese market may see some modest rebound this week after Takaichi's Liberal Democratic Party (LDP) had successfully secured a coalition with the Japan Innovation Party (JIP).
- In contrast, political tensions in France had eased slightly following the suspension of the controversial pension reform, enabling Prime Minister Sebastien Lecornu to regain much-needed parliamentary confidence and bolstering buying momentum in the market.
- On a different note, South Korea's KOSPI had outperformed by 3.8%, underscored by rising optimism surrounding the the country's technology and Artificial Intelligence (AI) landscape.

DOMESTIC EQUITY: LOCAL MARKET CLOSED IN A SEA OF RED DESPITE STRONGER THAN EXPECTED 3Q2025 GROWTH

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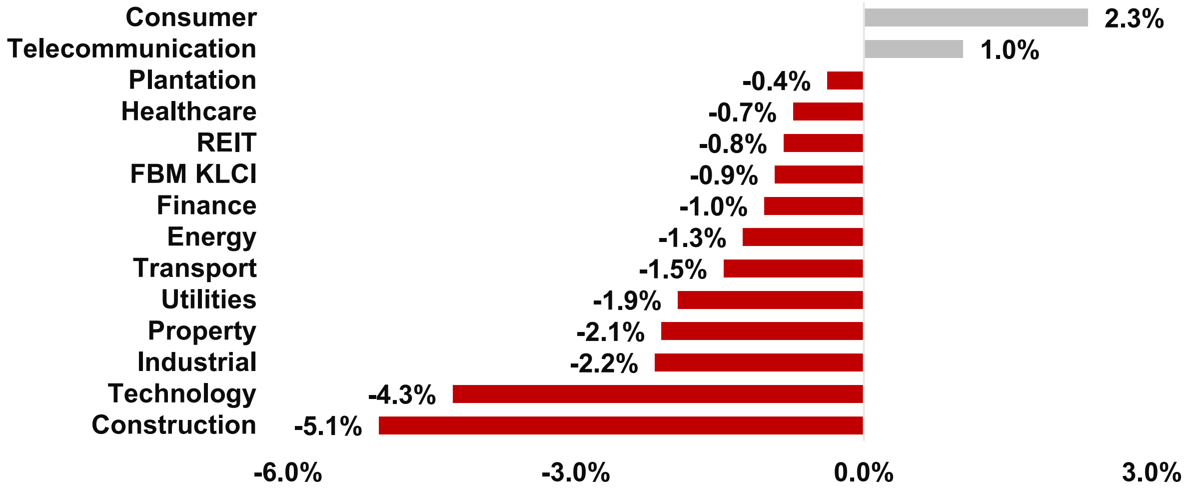
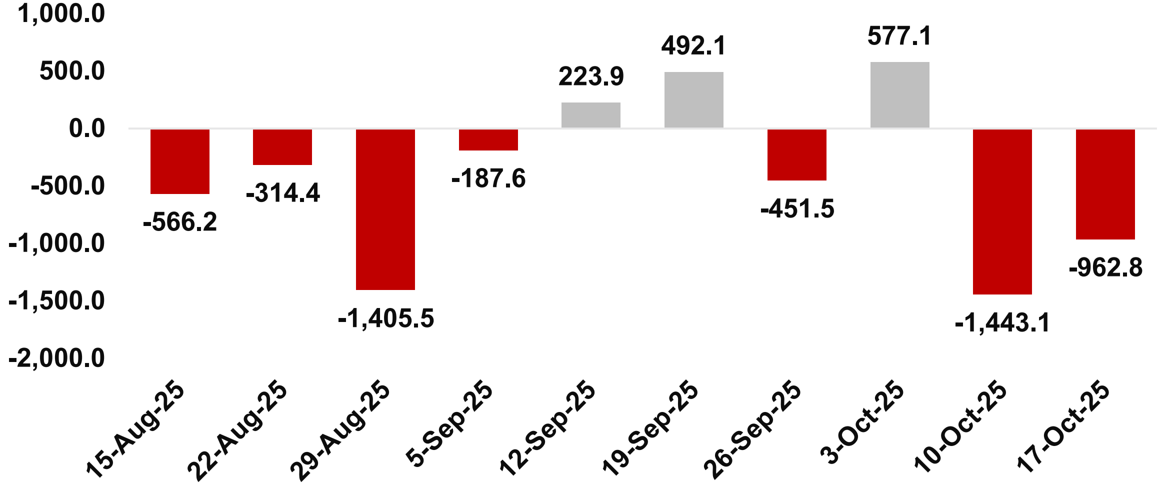
Weekly Bursa Sectoral Performance, w-o-w%



Weekly Foreign Fund Net Inflows/Outflows, RM Million



Sources: Bursa, CEIC Data

- The FBM KLCI declined by 0.9% w-o-w for the week ending October 17, dragged by muted buying interest across the board despite the surprise strength of the Malaysian economy in the third quarter.
- Malaysia's 3Q2025 Gross Domestic Product (GDP) is anticipated to increase by 5.2% y-o-y compared to 4.4% y-o-y in 2Q2025, underpinned by broad-based accelerations across the Services (3Q2025: 5.1% vs. 2Q2025: 5.1%), Manufacturing (3Q2025: 4.0% vs. 2Q2025: 3.7%) and Construction (3Q2025: 11.2% vs. 2Q2025: 12.1%) sectors alongside a sharp rebound in Mining output (3Q2025: 10.9% vs. 2Q2025: -5.2%). On the flip side, the Agriculture sector is expected to moderate to 0.4% y-o-y from 2.1% y-o-y in the previous quarter.
- Nevertheless, the FBM KLCI tracked the weakness seen across regional markets, reflecting subdued investor sentiments amid prolonged global uncertainties.
- Looking closer, the Construction index had plummeted by 5.1%, followed by the Technology (-4.3%) and Industrial (-2.2%) indices. Meanwhile, the Consumer and Telecommunications indices were the only winners, climbing by 2.3% and 1.0%, respectively.
- Foreign investors remained as net sellers for the second straight week, shedding a total of RM962.8 million worth of equities. This had increased the cumulative net outflow thus far to RM18.8 billion.

FIXED INCOME: UST YIELDS DECLINE AMID FED CAUTION AND PROLONGED U.S.-CHINA TRADE TENSIONS

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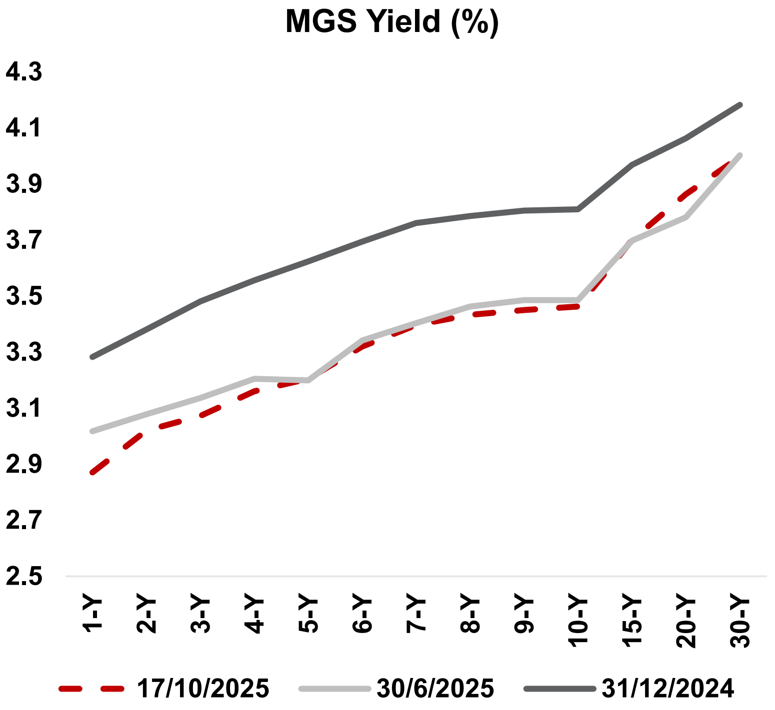
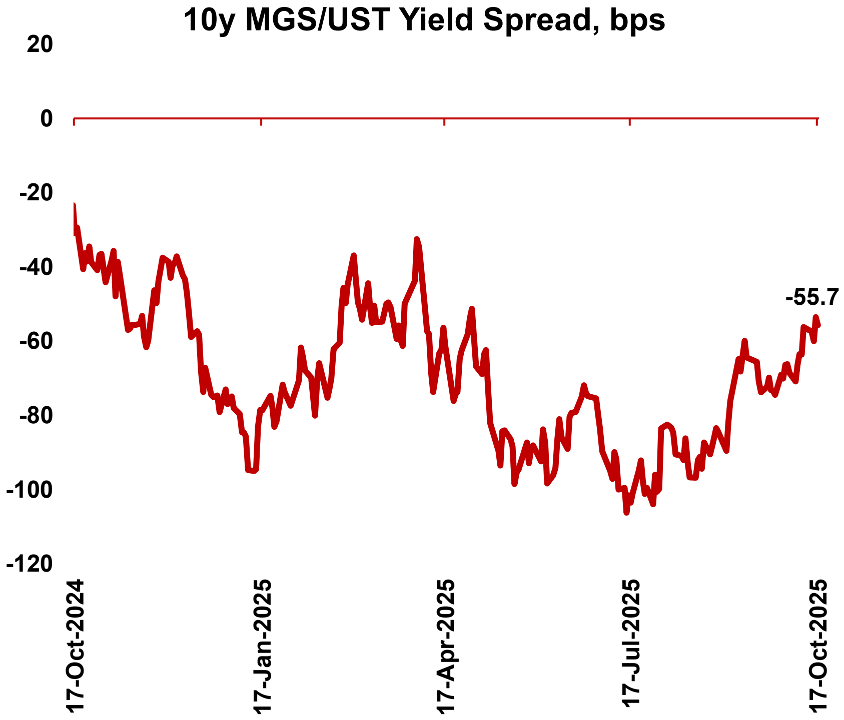
Weekly Changes, basis points (bps)

UST	Yields (%) 10-Oct-25	Yields (%) 17-Oct-25	Change (bps)
3-Y UST	3.52	3.47	-5
5-Y UST	3.65	3.59	-6
7-Y UST	3.83	3.78	-5
10-Y UST	4.05	4.02	-3
MGS	**Yields (%) 10-Oct-25**	**Yields (%) 17-Oct-25**	**Change (bps)**
3-Y MGS	3.10	3.07	-3
5-Y MGS	3.24	3.21	-3
7-Y MGS	3.46	3.40	-6
10-Y MGS	3.49	3.46	-2
GII	**Yields (%) 10-Oct-25**	**Yields (%) 17-Oct-25**	**Change (bps)**
3-Y GII	3.13	3.09	-5
5-Y GII	3.25	3.21	-4
7-Y GII	3.37	3.33	-5
10-Y GII	3.51	3.47	-4

Sources: BNM, Federal Reserve Board





- The U.S. Treasury (UST) yields declined in the range of 3bps to 6bps for the week ending October 17. The decrease in yields was primarily driven by dovish signals from Chair Powell's remarks suggesting the Fed is approaching the end of its balance sheet reduction and may consider cutting rates. At the same time, renewed tensions in the U.S.-China trade relationship have increased uncertainty and dampened investor confidence. Together, these factors along with softer labor data and the ongoing U.S. government shutdown put downward pressure on yields.
- Meanwhile, Malaysian Government Securities (MGS) and Government Investment Issues (GII) yields ended lower in the range of 2bps and 6bps.
- The 10y MGS/UST yield spread narrowed slightly in the negative territory at -55.7bps relative to -56.2bps in the previous week.

FX MARKET: RINGGIT TO TRADE CAUTIOUSLY AHEAD OF KEY U.S. AND MALAYSIAN INFLATION FIGURES

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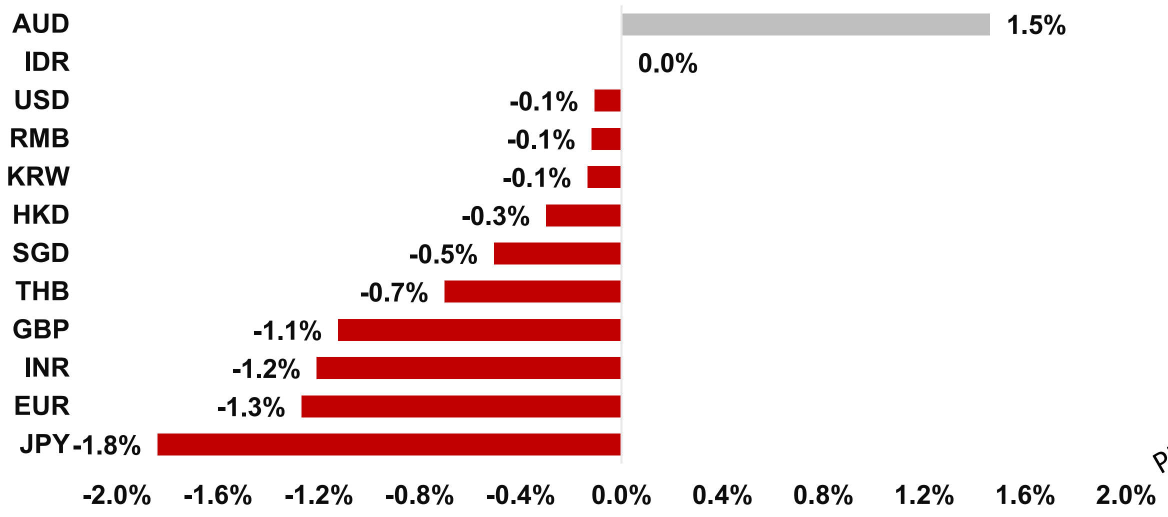
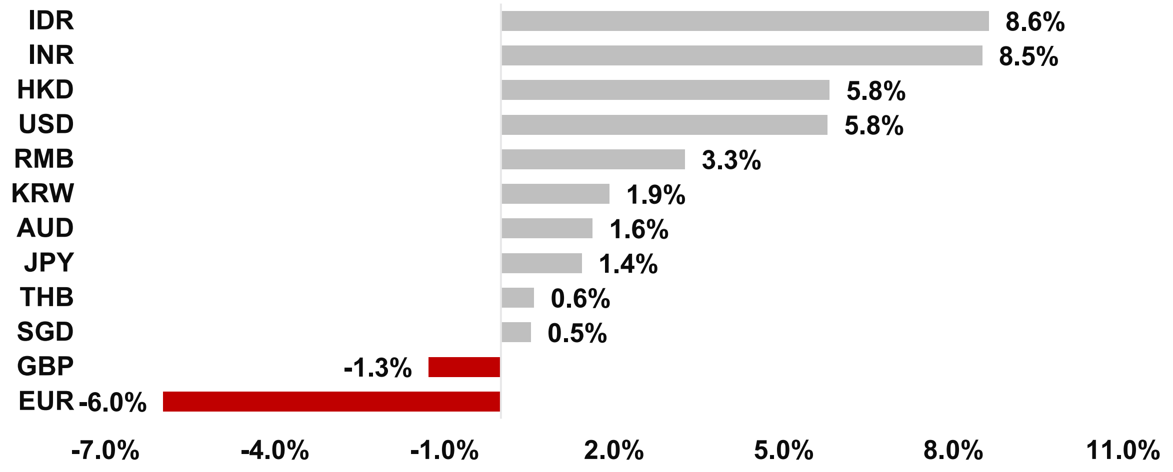
MYR Against Regional Currencies, w-o-w%



MYR Against Regional Currencies, YTD%
(As of 17 October 2025)



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

- The dampened investor confidence had spilled into the foreign exchange market, leading to a 0.1% w-o-w depreciation of the Ringgit against the U.S. dollar, alongside comparable weakness against a broader basket of currencies.
- Nevertheless, the local note gained some support from a slew of robust domestic economic data with the official estimates forecasting the 3Q2025 GDP to expand by 5.2% y-o-y (2Q2025: 4.4%), underscored by strong performances across all main sectors on the sectors side..
- On the trade front, Malaysia's exports remained supported by rapid front-loading activities following Trump's tariffs, accelerating sharply by 12.2% in September from 1.2% in August. Meanwhile, imports rebounded strongly by 7.3% in the same month from a 5.9% contraction in August, suggesting higher demand from recovering consumer and business confidence.
- On the flip side, the USD index had slipped by 1.2% amid heightened hopes of a 25 bp rate cut in the Fed's upcoming meeting. Given the lack of key economic releases since the U.S. government shutdown began, markets shaped their expectations based on the broader easing trajectory as well as latest available data, which pointed to rapidly cooling job market conditions and softer increases in price pressures. On top of that, policymakers had signaled that further reductions are on the table for the remainder for 2025, solidifying the case for another cut with the probability of which rising to almost 100.0% at the time of writing.

COMMODITY: OIL PRICES ENDS LOWER AS SUPPLY GLUT FEARS GROW AND GEOPOLITICAL RISKS EASE

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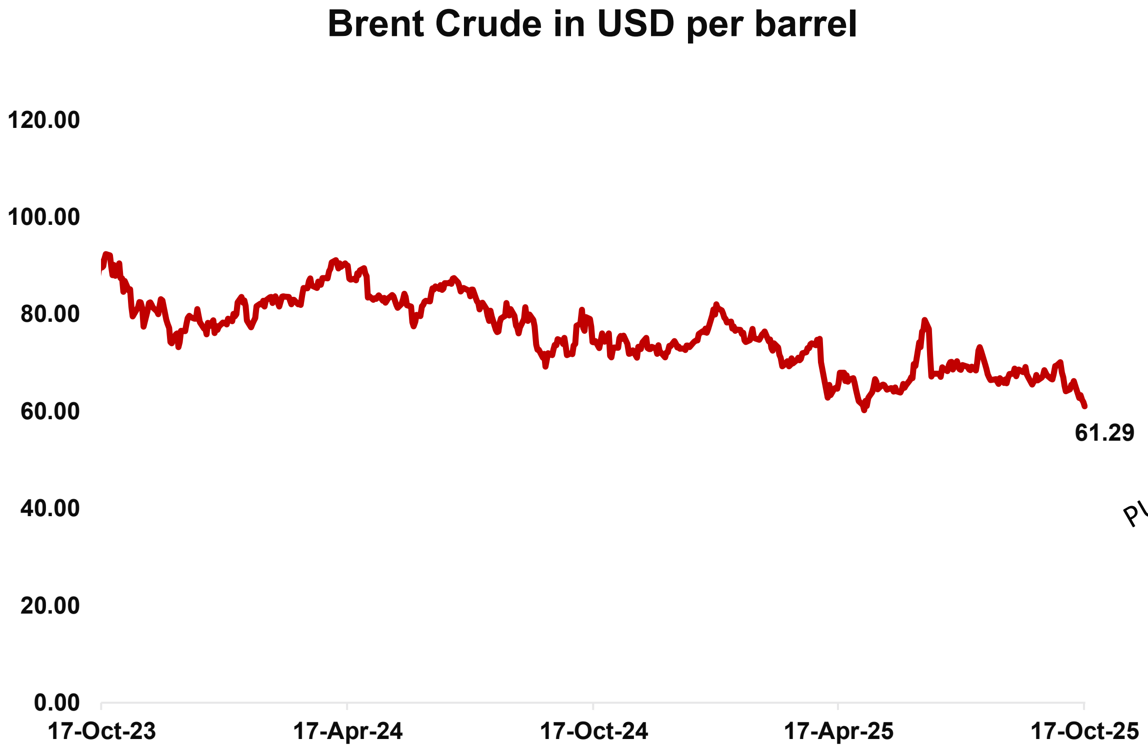
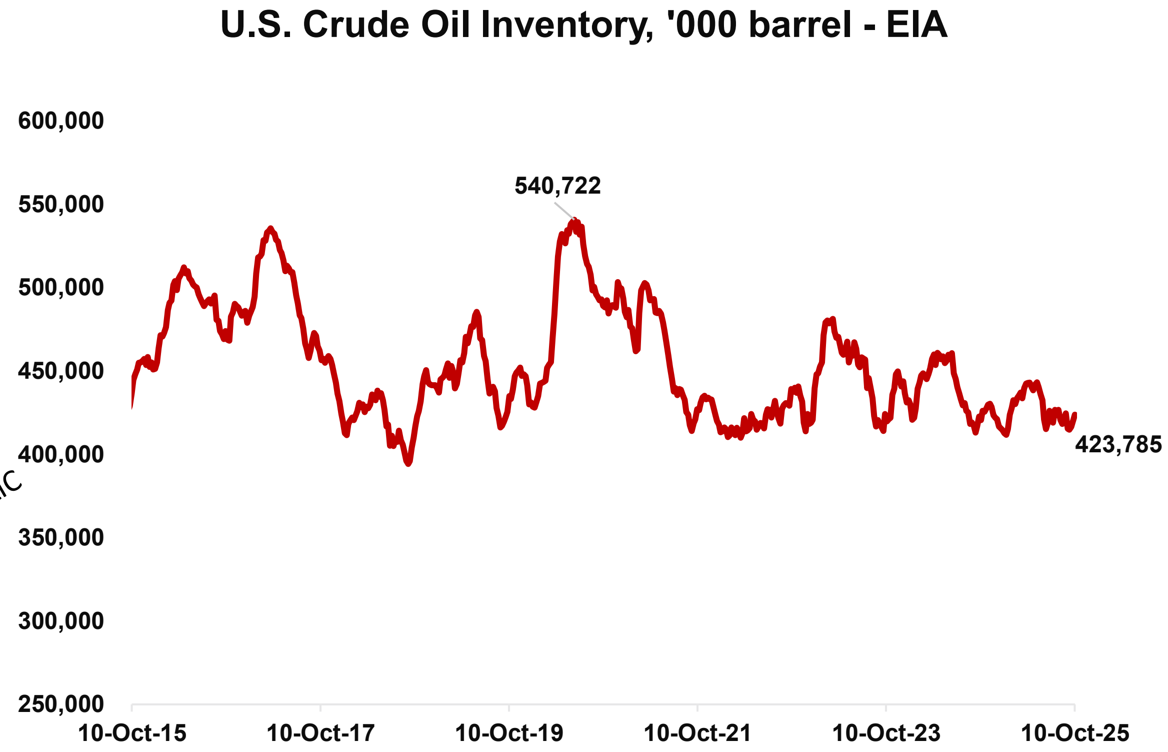
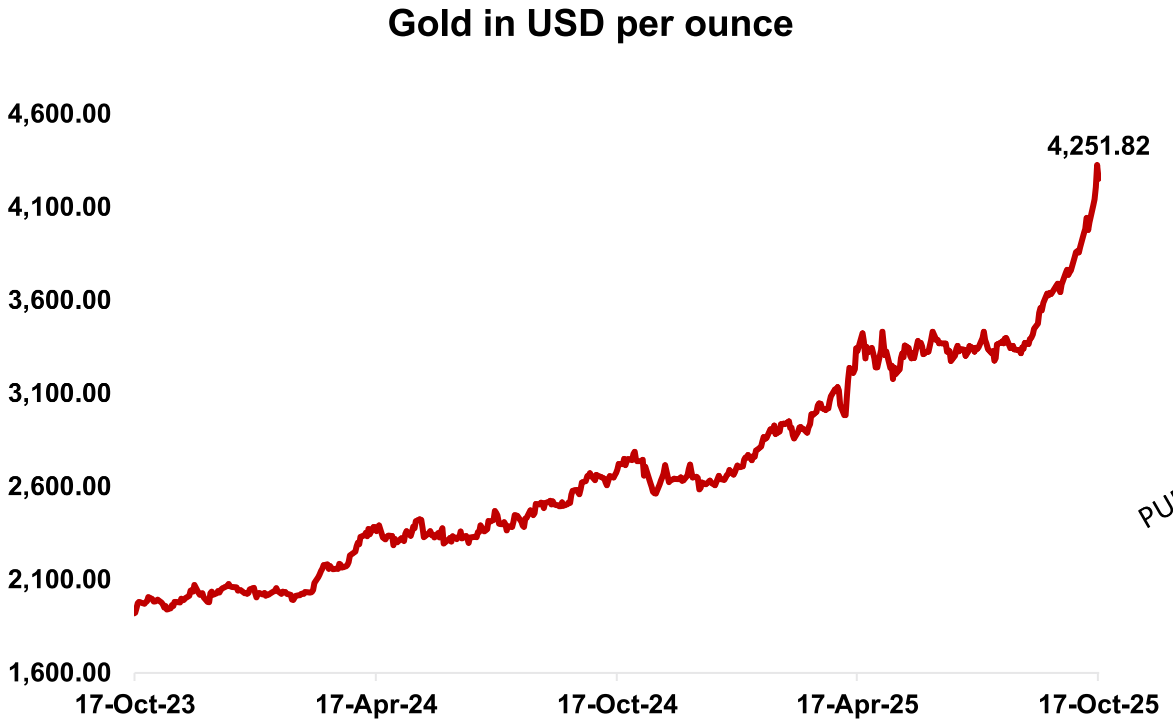


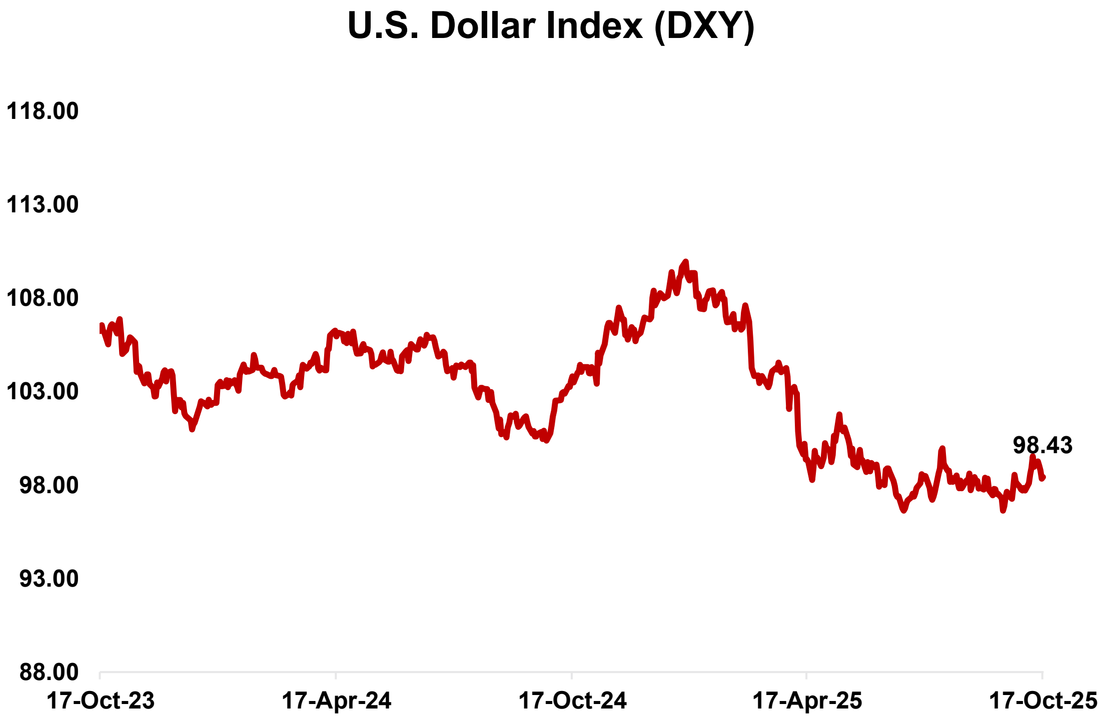


Sources: Bloomberg, Energy Information Administration (EIA)

- Brent oil prices slipped by 2.3% w-o-w to close at USD 61.29 per barrel on Friday, marking the third consecutive week of decline. Among the key factors weighing on the market was the International Energy Agency's warning of potential oversupply building in the years ahead, putting pressure on an already fragile outlook. Meanwhile, easing geopolitical tensions, driven by renewed diplomatic efforts between the U.S. and Russia over Ukraine further removed upward pressure from prices by reducing perceived supply risks. On the demand side, escalating friction between the U.S. and China deepened concerns about weaker energy consumption. Overall, the fading geopolitical risk and growing uncertainty over demand led to a cautious market tone.
- U.S. weekly crude inventories increased by 3.5 million barrels to 423.8 million barrels for the week ending October 10.

COMMODITY: GOLD PRICE MARKED A FRESH RECORD HIGH OF USD4,326.58 ON THURSDAY





Sources: Bloomberg, CEIC Data

- The bullion price surged sharply by 5.8% last week, marking a fresh high of USD4,326.58 on Thursday before easing slightly to USD4,251.82 on Friday.
- Its winning streak was underscored by global political and fiscal jitters, sparking increased demand for safe-haven assets. Furthermore, the prolonged U.S. political shutdown had suspended the release of key economic data, heightening uncertainties surrounding the Fed's policy path as markets seek fresh clues ahead of the central bank's meeting on 28-29 October.

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WHAT TO LOOK OUT FOR IN THE MARKETS THIS WEEK

- This week, markets will closely track the meeting in Malaysia between U.S. Treasury Secretary Scott Bessent and China's Vice Premier He Lifeng, which comes at a critical time in U.S.-China relations. The meeting is expected to address escalating trade tensions following China's recent export restrictions on rare earth materials and the U.S. threat to impose sweeping 100% tariffs on all Chinese imports starting November 1. Investors will closely monitor any signs of progress that could ease geopolitical tensions and revive risk appetite. A constructive outcome from the talks could bolster equity markets and prompt a modest bond selloff as investors shift away from safe-haven assets. Conversely, a breakdown in negotiations or the absence of a clear resolution would likely heighten global trade uncertainty, trigger a flight to safety, and boost demand for low-risk assets, exerting further downward pressure on yields. Additionally, with U.S. economic data flow still limited due to the ongoing government shutdown, markets may react more sharply to alternative indicators, central bank commentary, or geopolitical headlines. As such, investors should brace for a potentially volatile week, with the outcome of the U.S.-China talks likely to play a central role in setting the tone for global market direction.

- Bank Indonesia (BI) is expected to cut its benchmark interest rate by 25bps to 4.50% on October 22 to support slowing domestic growth, despite potential pressure on the rupiah. With inflation remaining within the central bank's target range and recent economic indicators, such as softer exports and weaker consumer demand showing signs of a slowdown, the policy move is seen as a pre-emptive measure to sustain momentum. While the rate cut may support bond prices and boost domestic equities, especially in consumption-driven sectors, it could also lead to mild depreciation in the rupiah due to narrowing interest rate differentials. Market reaction will depend heavily on BI's policy tone, whether the move is part of a broader easing cycle or a tactical adjustment, and on investor confidence in the central bank's independence, which has come under scrutiny amid increasing government involvement in monetary policy.

- In Malaysia, the headline inflation report due to be released on October 22 is expected to remain contained, hovering below 1.5%. Given this outlook, the central bank is likely to keep the overnight policy rate (OPR) unchanged at 2.75%, as the subdued inflation provides them with some room. However, policymakers are expected to remain vigilant for any signs of emerging inflationary pressures. The resilience of the domestic economy continues to justify Bank Negara Malaysia's decision to maintain its current policy rate. Malaysia's advance estimate for 3Q2025 GDP growth stood at 5.2%, surpassing Bloomberg's consensus forecast of 4.2%, underscoring the economy's solid momentum despite persistent external headwinds.

THANK YOU