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3Q25 advance GDP Growth:	+5.2%
2025 GDP Growth Forecast:	+4.5%
2026 GDP Growth Forecast:	+4.1%
9M25 Headline Inflation:	+1.4%
2025 Headline Inflation Forecast:	+1.4%
2026 Headline Inflation Forecast:	+2.0%
BNM OPR:	2.75%
End-2025 OPR	2.75%
End-2026 OPR Forecast:	2.75%

Malaysia Industrial Production

Cautious optimism as tariff risks linger

- **Industrial Production Index (IPI) growth accelerated to +5.7% YoY in September (Aug: +4.8%), beating market expectations of +5.4%, led by stronger manufacturing output.**
- **Export-oriented cluster posted a positive performance in September, consistent with the +12.2% YoY jump in nominal exports.**
- **While the semiconductor upcycle, resilient domestic demand and easing global trade tensions help support the manufacturing outlook, early indicator such as the October manufacturing PMI points to softer momentum ahead.**
- **In line with our recent upward revision to the 2025 GDP growth forecast, we now project manufacturing growth at +3.9% YoY in 2025 (previously +3.7%) before easing to +3.4% in 2026.**

Manufacturing lifts headline IPI

IPI growth jumped to +5.7% YoY in September (Aug: +4.8%), beating market expectations of +5.4%. The expansion was driven mainly by stronger manufacturing production (+5.0%; Aug: +2.8%), while mining output sustained double-digit growth (+10.2%; Aug: +16.8%). Electricity output held steady at +2.8% (Aug: +1.2%).

Mining strength was led by petroleum output rising to +13.0% YoY (Aug: +11.4%), even as natural gas output eased to +8.5% (Aug: +20.6%). With the post-maintenance rebound now largely factored in, a high base from last year could weigh on mining growth in the coming months.

Export-oriented manufacturing stood out

Export-oriented cluster posted positive performance in September, consistent with the +12.2% YoY jump in nominal exports. On a 3-month moving average (3mma) basis, export-oriented output rose to +3.7% (Aug: +3.1%), supported by firmer growth in “computer, electronics & optical products” (+8.0%; Aug: +7.0%), “electrical equipment” (+8.5%; Aug: +7.1%) and “wood products” (+2.9%; Aug: +1.7%).

Meanwhile, domestic-oriented output held steady at +4.7% YoY (Aug: +4.6%), underpinned by steady growth in “basic pharmaceuticals, medicinal chemical & botanical products” (+9.1%; Aug: +8.2%) and “transport equipment” (+1.9%; Aug: +0.6%).

Quarterly trend consistent with upbeat GDP print

For 3Q25, IPI growth averaged +4.9% YoY (2Q25: +2.0%), led by a rebound in mining (+10.3%; 2Q25: -5.5%) and steady manufacturing (+4.0%; 2Q25: +3.9%). This aligns with the advance 3Q25 GDP estimate, which showed manufacturing growth improving to +4.0% (2Q25: +3.7%) and mining rebounding to +10.9% (2Q25: -5.2%). The final 3Q25 GDP data will be released on 14 Nov 2025.

Resilient for now, but vulnerable ahead

We remain cautiously optimistic on the near-term manufacturing outlook. Semiconductor demand should stay firm alongside the ongoing tech upcycle, providing support to Malaysia’s E&E sector. Solid domestic demand and policy measures will also underpin growth in domestic-oriented industries. The recent US-Malaysia Agreement on Reciprocal Trade (ART) and the US-China trade truce point to some de-escalation in global trade tensions, which should help support the external outlook.

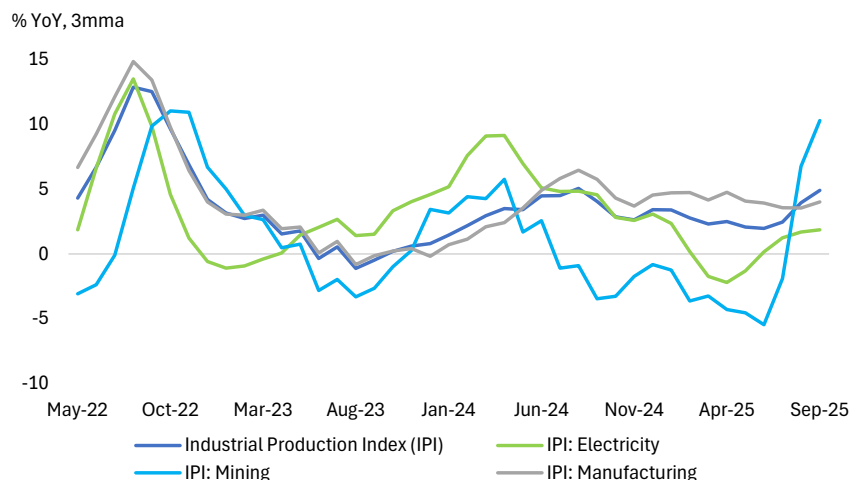
That said, the existing 19% US tariff on Malaysian goods remains in place, exerting pressure on the export-oriented manufacturing cluster. The outcome of the US Section 232 investigation on semiconductors will also have measurable implications for Malaysia’s E&E sector, which accounts for c.40% of total exports in 2024. Furthermore, the strong 3Q25 performance may prove short-lived, as early indicators point to softer momentum. The October manufacturing PMI

fell to a four-month low of 49.5, with output and new export orders declining at a sharper pace, reinforcing our cautious stance heading into 2026.

Stronger 2025 manufacturing forecast

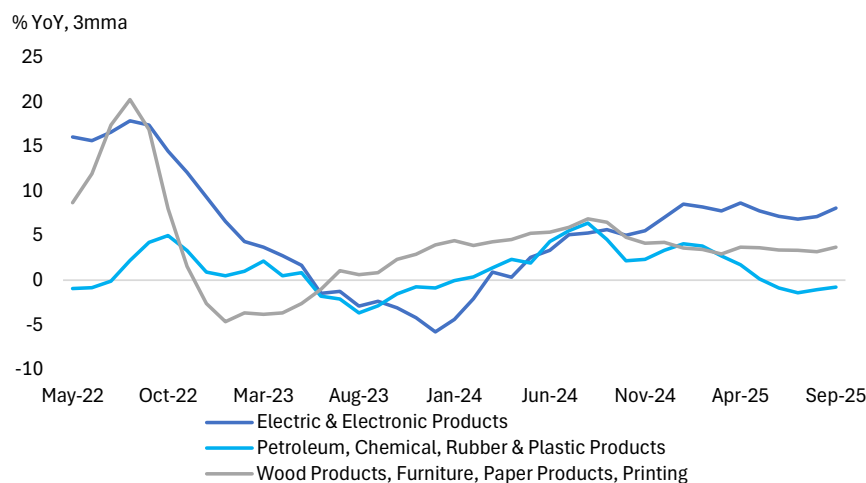
Overall, the manufacturing outlook remains supported in the near term by steady semiconductor momentum and resilient domestic demand. In line with our recent upward revision to the 2025 GDP growth forecast, **we now project manufacturing growth at +3.9% YoY in 2025** (previously +3.7%) before easing to **+3.4% in 2026**. Our **GDP forecasts stand at +4.5% for 2025 and +4.1% for 2026**.

Figure 1: Industrial output strengthened in September



Source: Department of Statistics, Apex Securities

Figure 2: Export-oriented industries improved in September



Source: Department of Statistics, Apex Securities

Recommendation Framework:

BUY: Total returns* are expected to exceed 10% within the next 12 months.

HOLD: Total returns* are expected to be within +10% to – 10% within the next 12 months.

SELL: Total returns* are expected to be below -10% within the next 12 months.

TRADING BUY: Total returns* are expected to exceed 10% within the next 3 months.

TRADING SELL: Total returns* are expected to be below -10% within the next 3 months.

*Capital gain + dividend yield

Sector Recommendations:

OVERWEIGHT: The industry defined by the analyst is expected to exceed 10% within the next 12 months.

NEUTRAL: The industry defined by the analyst is expected to be within +10% to – 10% within the next 12 months.

UNDERWEIGHT: The industry defined by the analyst, is expected to be below -10% within the next 12 months.

ESG Rating Framework:

★★★★★ : Appraised with 3% premium to fundamental fair value

★★★★ : Appraised with 1% premium to fundamental fair value

★★★ : Appraised with 0% premium/discount to fundamental fair value

★★ : Appraised with -1% discount to fundamental fair value

★ : Appraised with -5% discount to fundamental fair value

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(a) nil.
