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3Q25 GDP Growth:	+5.2%
2025 GDP Growth Forecast:	+4.5%
2026 GDP Growth Forecast:	+4.1%
10M25 Unemployment Rate:	3.0%
2025 Unemployment Rate Forecast:	3.0%
2026 Unemployment Rate Forecast:	3.1%
10M25 Headline Inflation:	+1.4%
2025 Headline Inflation Forecast:	+1.4%
2026 Headline Inflation Forecast:	+2.0%
End-2025 OPR	2.75%
End-2026 OPR Forecast:	2.75%

Malaysia Industrial Production

Cautious optimism as tariff risks ease

- The Industrial Production Index (IPI) rose further by +6.0% YoY in October (Sep: +5.7%), exceeding market expectations of +5.3%, led by stronger manufacturing output.
- Export-oriented cluster recorded another strong month, supported mainly by E&E products.
- While near-term tariff concerns have eased, we remain cautiously optimistic on the manufacturing outlook in 2026, given spillovers from the existing 19% US tariff on Malaysian goods and potential US semiconductor tariffs.
- The strength in manufacturing points to a solid 4Q25 GDP print and an upside to our current 2025 GDP forecast of +4.5% YoY, potentially closer to +4.8%.
- For now, we maintain our manufacturing growth projection of +3.9% YoY in 2025, before easing to +3.4% in 2026. Our GDP forecasts are kept at +4.5% for 2025 and +4.1% for 2026.

Manufacturing lifts headline IPI

IPI extended its solid run, rising +6.0% YoY in October (Sep: +5.7%) and exceeding market expectations of +5.3%. The pickup was led by stronger manufacturing output (+6.5%; Sep: +5.0%), partly offset by softer mining (+5.8%; Sep: +10.2%) and electricity (+1.2%; Sep: +2.8%) production.

Mining was weighed by a broad-based moderation in petroleum (+8.8% YoY; Sep: +13.0%) and natural gas (+3.9%; Sep: +8.5%), reflecting the high base effect from last year. On a month-on-month basis, however, petroleum and natural gas output increased at a solid pace of +11.7% and +9.1% respectively. Overall, we expect mining to continue expanding at a modest pace in the coming months due to the base effect.

Strong run in export-oriented manufacturing

Export-oriented cluster recorded another strong month, in line with the +15.7% YoY surge in October nominal exports. On a 3-month moving average (3mma) basis, export-oriented output rose +4.8% (Sep: +3.7%), supported by firmer growth in “computer, electronics & optical products” (+9.8%; Sep: +8.0%), “electrical equipment” (+9.3%; Sep: +8.5%) and “machinery & equipment” (+8.6%; Sep: +8.3%).

Meanwhile, domestic-oriented manufacturing remained steady at +4.7% YoY (Sep: +4.7%). Stronger momentum in “basic pharmaceuticals, medicinal chemical & botanical products” (+10.9%; Sep: +9.1%) and “transport equipment” (+3.1%; Sep: +1.9%) helped offset softer “food processing products” (+9.1%; Sep: +9.8%).

Cautious optimism despite easing tariff risks

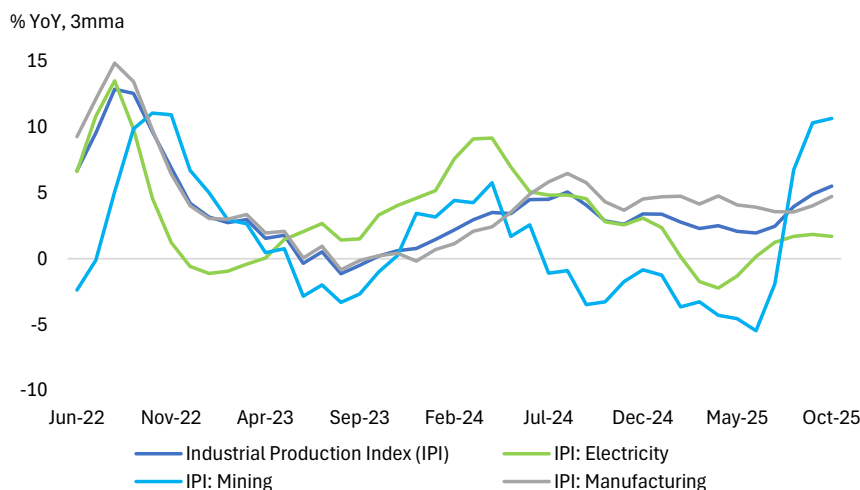
The recent strength in the external sector exceeded our expectations, reflecting an easing in near-term tariff concerns and a firmer global trade prospect. Speculation of a delay in potential US semiconductor tariffs has lifted near-term outlook, while robust global semiconductor demand, currently exempt from US tariffs, continues to support Malaysia’s E&E sector. Furthermore, domestic-oriented industries should also remain resilient on the back of firm domestic demand and supportive policy measures.

While near-term manufacturing outlook is positive, we remain cautious going into 2026. The spillover from the existing 19% US tariff on Malaysian goods could become more pronounced next year as higher costs are passed on to US consumers. Potential US semiconductor tariffs also remain a key uncertainty for Malaysia’s E&E sector, which accounts for c.40% of total exports. That said, the recent US-Malaysia reciprocal trade agreement, under which Malaysia’s semiconductor sector could receive special consideration, should help cap downside risks.

Support for 2025 GDP

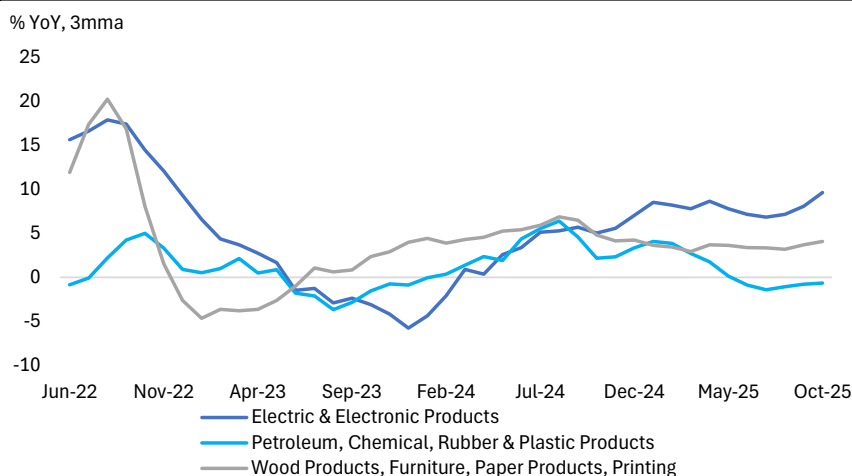
The strength in manufacturing points to a solid 4Q25 GDP print and an upside to our current 2025 GDP forecast of +4.5% YoY, potentially closer to +4.8%. The November external trade print, scheduled for 19 December, will provide further clues on the external outlook. For now, we maintain our **manufacturing growth projection of +3.9% in 2025** before easing to **+3.4% in 2026**. Our **GDP forecasts are kept at +4.5% for 2025** and **+4.1% for 2026**.

Figure 1: Industrial output strengthened in October



Source: Department of Statistics, Apex Securities

Figure 2: Export-oriented industries continued to improve in October



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.
