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3Q25 GDP Growth:	**+5.2%**
2025 GDP Growth Forecast:	**+4.7%**
2026 GDP Growth Forecast:	**+4.3%**
11M25 Export Growth:	**+6.1%**
2025 Export Growth Forecast:	**+6.0%**
2026 Export Growth Forecast:	**+4.8%**
11M25 Unemployment Rate:	**3.0%**
2025 Unemployment Rate Forecast:	**3.0%**
2026 Unemployment Rate Forecast:	**3.1%**
11M25 Headline Inflation:	**+1.4%**
2025 Headline Inflation Forecast:	**+1.4%**
2026 Headline Inflation Forecast:	**+1.8%**
End-2025 OPR	**2.75%**
End-2026 OPR Forecast:	**2.75%**

Malaysia Industrial Production

Cautious optimism over 2026 outlook

- **The Industrial Production Index (IPI) moderated to +4.3% YoY in November (Oct: +6.0%), below market expectations of +5.3%, driven by softer manufacturing and mining output.**
- **Manufacturing moderation was broad-based across both export- and domestic-oriented clusters, but E&E production remains firm at +10.8% YoY.**
- **The AI-led technology upcycle remains a key growth anchor, with a potentially favourable US Supreme Court tariff ruling providing upside, while the unwinding of front-loaded demand, potential US semiconductor tariffs and geopolitical risks could weigh on the 2026 outlook.**
- **We maintain our full-year 2025 GDP growth forecast at +4.7% YoY, before moderating to +4.3% in 2026 amid evolving global trade and geopolitical risks.**

Pullback from recent uptrend

IPI growth moderated to +4.3% YoY in November (Oct: +6.0%), undershooting market expectations of +5.3%. The slowdown was driven by softer manufacturing (+4.9%; Oct: +6.5%) and mining (+2.3%; Oct: +5.8%) output, partly offset by firmer electricity production (+2.7%; Oct: +1.8%). On a month-on-month basis, IPI declined by 1.1% MoM, pointing to a moderation in momentum after three straight months of gains.

Broad-based moderation

Mining softened on moderating petroleum (+4.3% YoY; Oct: +8.8%) and natural gas (+1.0%; Oct: +3.9%) output. On a month-on-month basis, petroleum and natural gas contracted by 3.2% and 3.1% respectively, reflecting normalisation following strong October growth.

Manufacturing moderation was broad-based. Export-oriented cluster slowed to +5.0% YoY (Oct: +7.2%), dragged by weaker growth in “computer, electronics & optical products” (+10.7%; Oct: +14.2%), “machinery & equipment” (+9.0%; Oct: +11.3%) and “coke & refined petroleum products” (-2.7%; Oct: -2.3%).

Domestic-oriented manufacturing eased slightly to +4.6% YoY (Oct: +4.9%). Softer momentum in “basic pharmaceuticals, medicinal chemical & botanical products” (+9.2%; Oct: +13.7%), “transport equipment” (+3.4%; Oct: +4.7%) and “basic metals” (+5.9%; Oct: +8.6%) was partly offset by firmer “food processing products” (+9.5%; Oct: +8.7%).

AI-led technology upcycle anchors growth

We remain cautiously optimistic on the manufacturing outlook. Easing tariff concerns in the near term and a firmer global trade backdrop continue to support export-oriented cluster. The AI-led technology upcycle and firm global semiconductor demand remain key growth anchor, with E&E accounting for c.44% of Malaysia’s total exports in 2025. The Semiconductor Industry Association (SIA) reported global semiconductor sales growth of +29.8% YoY in November and projects the semiconductor market to expand by a solid 26% YoY in 2026.

Notably, the US Supreme Court could deliver its ruling on Trump tariffs under the IEEPA as early as 14 January. A ruling against Trump would improve the global trade outlook and provide additional upside for Malaysia’s export-oriented manufacturing sector. Meanwhile, domestic-oriented cluster should also remain resilient, supported by firm domestic demand and ongoing policy support measures.

Still room for caution

Nonetheless, we caution that part of the stronger-than-expected manufacturing performance in 2025 may reflect front-loaded demand ahead of US tariff implementation. We thus expect growth momentum to remain steady, albeit at a more moderate pace in 2026. Furthermore, lingering policy uncertainty surrounding US semiconductor tariff remains a key downside risk to

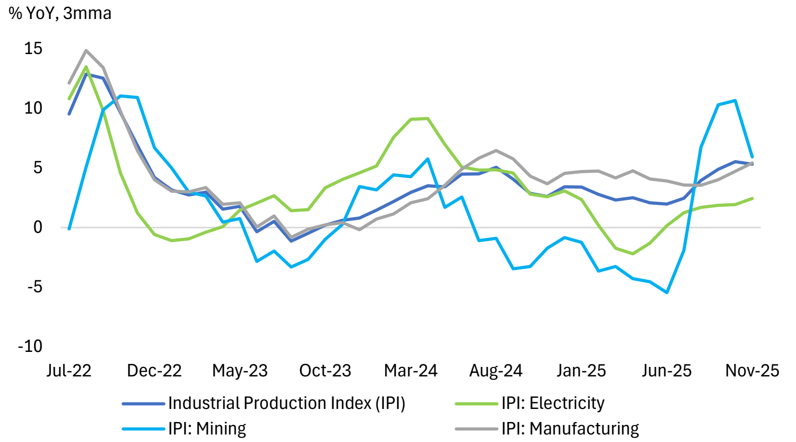
Malaysia's E&E sector. Malaysia's status as a Comprehensive Strategic Partner of the US, however, could provide some cushion and help cap downside risks.

Lastly, we see limited spillover from recent developments in Venezuela into global oil supply or domestic upstream activity, given that Venezuela accounts for less than 1% of global production and any new investment would take time to materially lift output. Meanwhile, political unrest in Iran would be closely watched, with some near-term volatility in global oil prices expected.

Stable growth outlook for now

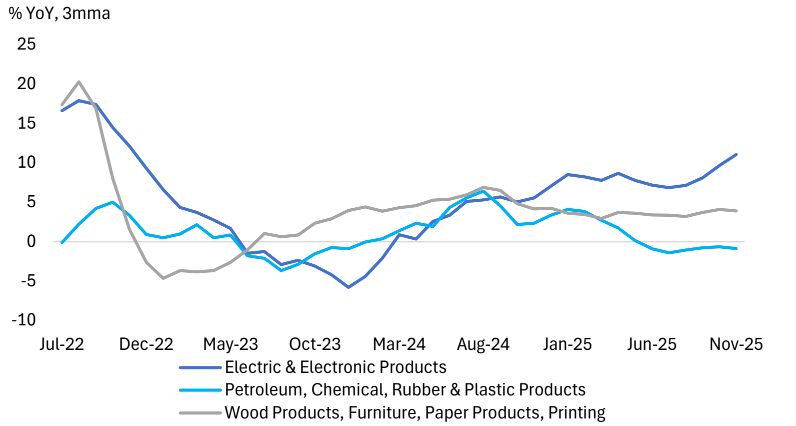
Overall, the steady industrial production trend points to a solid 4Q25 GDP print. The advance estimate for 4Q25 GDP print will be released on 16 January. We **maintain our 4Q25 GDP growth forecast at +4.8% YoY** (3Q25: +5.2%), **bringing full-year 2025 growth to +4.7%** (2024: +5.1%). Looking ahead, we expect **GDP growth to moderate to +4.3% in 2026** amid evolving global trade and geopolitical risks.

Figure 1: Industrial output moderated in November



Source: Department of Statistics, Apex Securities

Figure 2: Export-oriented industries slowed in November



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

As of **Monday, 12 Jan, 2026**, the analyst(s), whose name(s) appears on the front page, who prepared this report, has interest in the following securities covered in this report:
(a) nil.