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2025 GDP Growth	+5.2%
2026 GDP Growth Forecast:	+4.7%
2025 Export Growth:	+6.4%
2026 Export Growth Forecast:	+4.8%
2025 Unemployment Rate	3.0%
2026 Unemployment Rate Forecast:	3.0%
2025 Headline Inflation:	+1.4%
2026 Headline Inflation Forecast:	+2.1%
End-2025 OPR	2.75%
End-2026 OPR Forecast:	2.75%

## Malaysia Industrial Production

### Steady outlook amid inventory frontloading

- **The Industrial Production Index (IPI) remained firm at +3.1% YoY in March (Feb: +3.1%), although below consensus of +3.5%, underpinned by firmer manufacturing output.**
- **Rebound in the refined petroleum products subsector suggests no immediate drag on domestic fuel production.**
- **Frontloading and stockpiling activities should help cushion short-term risks from raw material supply disruptions.**
- **We maintain our 2026 manufacturing growth forecast at +4.5% YoY (YTD: +5.7%; 2025: +4.5%) and GDP forecast at +4.7% (2025: +5.2%).**

### Manufacturing strength offsets mining drag

IPI sustained its firm momentum at +3.1% YoY in March (Feb: +3.1%), although slightly below market expectations of +3.5%. The steady expansion was underpinned by firmer manufacturing output (+5.5%; Feb: +4.2%) and electricity production (+4.9%; Feb: +4.6%), partly offset by continued weakness in mining (-6.5%; Feb: -2.0%).

Mining contracted for a second straight month, weighed by a broad-based decline in petroleum (-11.3% YoY; Feb: -4.3%) and natural gas (-3.4%; Feb: -0.4%), largely reflecting a high base effect from last year. On a month-on-month basis, however, petroleum and natural gas production rose at a solid pace of +8.6% and +14.7% respectively. We expect mining activity to improve moderately in the coming months as base effects ease.

### Domestic fuel supplies remain secured for now

Export-oriented manufacturing remained resilient, in line with the +8.3% YoY expansion in March nominal exports. Output in the export-oriented cluster rose +6.7% (Feb: +5.0%), supported by firmer gains in “vegetable & animal oils and fats” (+13.5%; Feb: +0.3%), “machinery & equipment” (+3.8%; Feb: +2.3%) and “wearing apparel” (+2.7%; Feb: -0.8%).

Notably, “coke & refined petroleum products” rebounded (+2.4% YoY; Feb: -3.4%), suggesting no immediate drag on domestic fuel production from supply disruptions in the Strait of Hormuz. While Malaysia is a net energy exporter, domestic refineries remain reliant on imported medium-to-heavy sour crude oil for local fuel production. With around 38% of Malaysia’s crude imports transiting through the Strait, a prolonged disruption could eventually weigh on domestic industrial activity. That said, the government is expected to announce an oil supply continuity plan in mid-May, which should help ease concerns over domestic fuel security.

Meanwhile, domestic-oriented manufacturing edged higher to +2.8% YoY (Feb: +2.7%), led by stronger growth in “basic metals” (+4.5%; Feb: +3.6%) and “leather & related products” (+5.0%; Feb: +3.9%), pointing to still-resilient domestic demand conditions.

### Inventory frontloading cushions supply risks

On a positive note, domestic manufacturing conditions remain resilient for now. Malaysia’s manufacturing PMI rose to a four-year high of 51.6 in April (Mar: 50.1), reflecting inventory accumulation amid concerns over supply chain disruptions stemming from the Middle East conflict. New orders and production both expanded, as manufacturers stepped up stockpiling activities for themselves and their clients. That said, delays in input deliveries led to a modest drawdown in pre-production inventories, indicating that firms are tapping existing inventories, albeit to a limited extent.

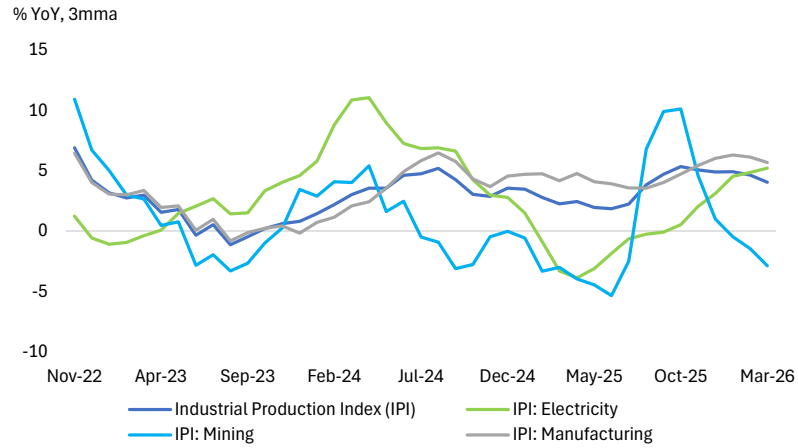
### Growth outlook remains intact

We remain cautiously optimistic on the domestic manufacturing outlook. Frontloading and stockpiling activities should help cushion short-term risks from raw material supply disruptions, barring a prolonged deterioration in the availability of key industrial inputs. Besides, sustained

E&E demand amid the structural expansion in the global AI space should continue to underpin overall manufacturing activity.

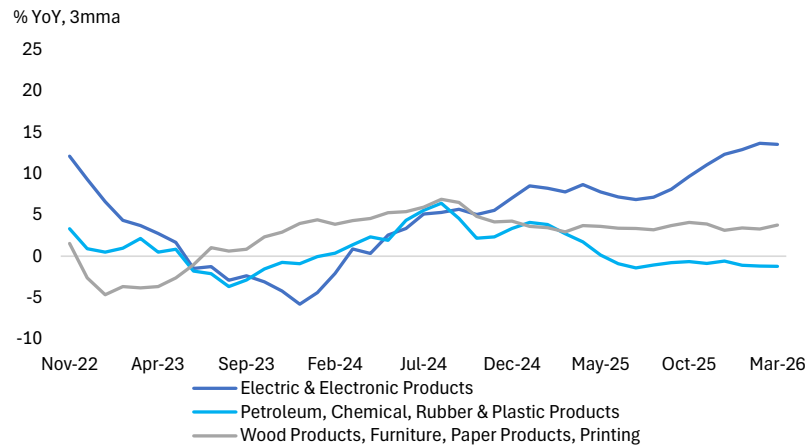
For now, we maintain our **2026 manufacturing growth forecast at +4.5% YoY** (YTD: +5.7%; 2025: +4.5%) and **GDP forecast at +4.7%** (2025: +5.2%). We expect growth to remain relatively firm at +4.9% in 1H26 before moderating to +4.4% in 2H26 amid a more challenging and uncertain macro environment.

**Figure 1: Manufacturing output rose in March**



Source: Department of Statistics, Apex Securities

**Figure 2: E&E remained resilient in March**



Source: Department of Statistics, Apex Securities

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#### 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

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**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.

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★★★★★ : 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.

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