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2025 GDP Growth	**+5.2%**
2026 GDP Growth Forecast:	**+4.7%**
2025 Export Growth:	**+6.4%**
2026 Export Growth Forecast:	**+16.3%**
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

Near-term outlook improves, but risks remain in 2H26

- **The Industrial Production Index (IPI) rose +8.4% YoY in May (Apr: +8.2%), albeit below market expectations of +9.4%, led by a sharp acceleration in mining output.**
- **Stockpiling activities should continue to support resilient manufacturing production and broader economic activity in 2Q26.**
- **Growth momentum could moderate in the coming months as the high base from last year kicks in and support from stockpiling activities fades.**
- **We remain cautious of the lagged impact from elevated material and logistics costs, as well as uneven supply disruptions across sectors.**
- **We keep our 2026 manufacturing growth forecast at +4.5% YoY (YTD: +6.4%; 2025: +4.5%).**

Rebound in mining output lifts headline IPI

IPI extended its firm momentum, rising +8.4% YoY in May (Apr: +8.2%), albeit below market expectations of +9.4%. The expansion was underpinned by a sharp acceleration in mining (+19.8%; Apr: +6.8%), partly offset by moderating growth in manufacturing (+6.6%; Apr: +8.3%) and electricity output (+4.2%; Apr: +10.5%).

Mining expanded for a second straight month, supported by broad-based improvements in petroleum (-0.7% YoY; Apr: -6.4%) and natural gas (+37.4%; Apr: +16.6%), with the latter partly boosted by a low base from weaker production last year. On a month-on-month basis, however, mining output declined by 2.2% (Apr: -1.6%). We expect mining growth to moderate in the coming months as the low base effect dissipates.

Export-oriented sector extends its uptrend

Manufacturing remained the key growth anchor, contributing +5.1ppts to headline IPI growth (Apr: +6.3ppts). The export-oriented cluster strengthened further, consistent with the +45.3% YoY surge in May nominal exports. Output in the export-oriented cluster expanded +8.8% (Apr: +8.5%), supported by gains in “coke & refined petroleum products” (+7.8%; Apr: +4.2%) and “computer, electronics & optical products” (+17.0%; Apr: +14.6%).

Meanwhile, the domestic-oriented cluster slowed sharply to +2.0% YoY (Apr: +8.0%), reflecting softer growth in “food processing products” (+3.7%; Apr: +8.6%) and “basic pharmaceuticals, medicinal chemical & botanical products” (+2.5%; Apr: +5.3%), alongside a sharp contraction in “motor vehicles, trailers & semi-trailers” (-10.3%; Apr: +13.5%).

E&E remains the key anchor

The strength in May’s IPI data partly reflects a low base from last year, alongside inventory accumulation among manufacturers to mitigate supply risks stemming from the Middle East conflict. This reinforces our view that stockpiling activities should continue to support resilient manufacturing production and broader economic activity in 2Q26.

More importantly, sustained strength in E&E remains the key anchor for Malaysia’s export-oriented manufacturing sector. We expect E&E output to maintain its firm momentum, supported by robust global semiconductor demand amid rising chip applications across AI, EV and industrial segments. Meanwhile, the domestic-oriented sector should remain supported by still-solid domestic demand, providing further support to industrial activity.

Wary of downside risks in 2H26

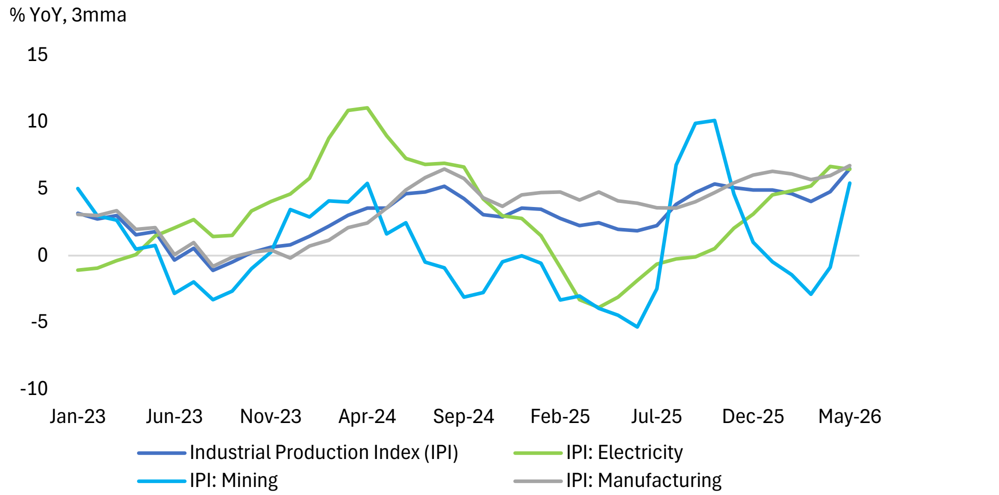
That said, we remain cautious on the outlook for 2H26. Growth momentum could begin to moderate in the coming months as **the high base from last year’s strong 2H25 performance kicks in** and **support from stockpiling activities fades**. Notably, May manufacturing PMI indicated that firms kept purchasing activity broadly unchanged, suggesting a pause after two consecutive months of inventory frontloading.

Manufacturers also continued to report sharply higher input costs due to the Middle East conflict, although the pace of input cost inflation has started to ease. We remain wary of the **lagged impact from elevated material and logistics costs**, with PPI rising further to +7.8% YoY in May (Apr: +5.4%), as well as **uneven supply disruptions across sectors**.

Maintain manufacturing growth forecast for now

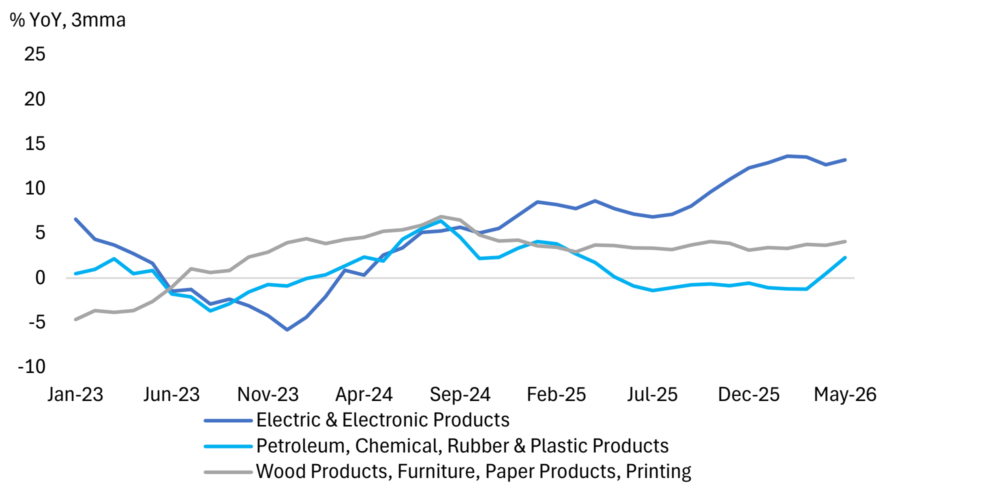
Manufacturing production grew at a solid +6.4% year-to-date. For now, we maintain our 2026 **manufacturing growth forecast at +4.5% YoY** (2025: +4.5%), as production growth is expected to moderate as the stockpiling activity unwinds and the high base from last year's strong 2H25 performance kicks in.

Figure 1: Mining output surged in May



Source: Department of Statistics, Apex Securities

Figure 2: E&E remained resilient in May



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 **Friday, 10 Jul, 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.