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2025 GDP Growth	+5.2%
2026 GDP Growth Forecast:	+5.0%
2027 GDP Growth Forecast:	+4.5%
2025 Unemployment Rate	3.0%
2026 Unemployment Rate Forecast:	3.0%
2027 Unemployment Rate Forecast:	3.0%
2025 Headline Inflation:	+1.4%
2026 Headline Inflation Forecast:	+2.0%
2027 Headline Inflation Forecast:	+2.0%
End-2025 OPR	2.75%
End-2026 OPR Forecast:	2.75%
End-2027 OPR Forecast:	3.00%

Industrial Production & Labour Market

Steady growth outlook keeps rate hike on cards

- The Industrial Production Index (IPI) accelerated to **+5.0% YoY in August (Jul: +4.7%)**, driven by firmer manufacturing and electricity output.
- Global demand and resilient domestic activity should support manufacturing, although rising headwinds could weigh on growth in 2027.
- The unemployment rate improved to **2.9% in August (Jul: 3.0%)**, consistent with resilient domestic economic activity.
- We maintain our GDP growth forecasts at **+5.0% for 2026 and +4.5% for 2027**.
- We maintain our expectation for one 25-bp OPR hike to **3.00% in 2027**.

Extended manufacturing strength

IPI growth accelerated to +5.0% YoY in August (Jul: +4.7%), slightly above market expectations of +4.9%. The stronger print was driven by firmer manufacturing (+7.4%; Jul: +6.4%) and electricity output (+9.0%; Jul: +5.5%), partly offset by a deeper contraction in mining (-7.4%; Jul: -3.2%).

Manufacturing remained the key growth anchor, contributing +5.7ppts to headline IPI growth (Jul: +4.9ppts). The export-oriented cluster remained firm at +7.8% YoY (Jul: +7.7%), supported by “electric & electronic products” (+17.0%; Jul: +13.3%) and “machinery & equipment” (+13.0%; Jul: +10.7%), reflecting sustained global tech demand. Meanwhile, the domestic-oriented cluster strengthened to +5.3% (Jul: +4.7%), driven by “food processing products” (+5.7%; Jul: +6.7%) and “basic metals” (+9.4%; Jul: +8.6%).

Maintain positive growth outlook

We expect manufacturing activity to remain underpinned by sustained global semiconductor demand amid the AI-driven tech upcycle. Resilient domestic demand should further support the domestic-oriented segment, with Budget 2027 measures including cash assistance, higher minimum wages and tax cuts providing additional support to household spending. However, prolonged geopolitical tensions, volatile global trade policies, a high base effect and elevated business costs could weigh on growth momentum into 2027. We maintain our GDP growth forecasts at **+5.0% YoY for 2026 and +4.5% for 2027**.

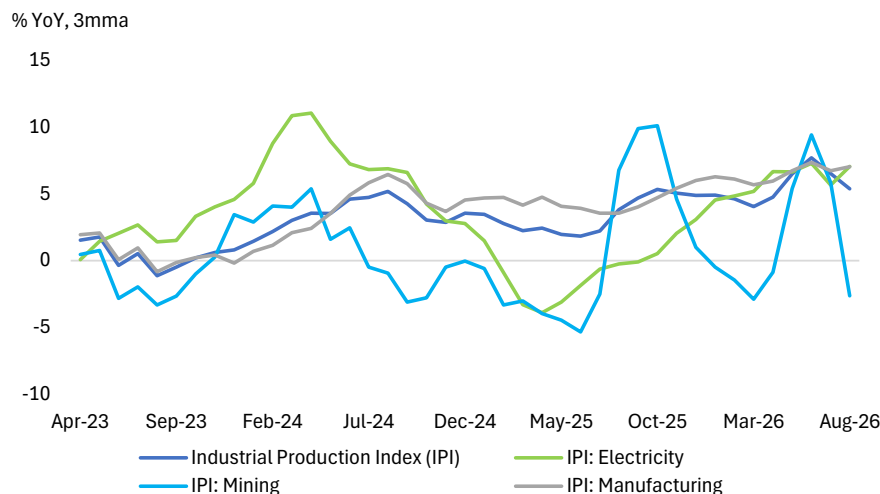
Labour market remains steady

Malaysia’s unemployment rate improved to 2.9% in August (Jul: 3.0%), consistent with the resilient domestic economic expansion. The number of unemployed declined to 511.6k (Jul: 520.3k), which marks the first improvement since the outbreak of Middle East tensions in March. Employment also increased 0.2% MoM (Jul: +0.1%), suggesting firm labour demand. Meanwhile, the labour force rose by 0.1% to 17.39m (Jul: 17.37m).

Maintain expectation for OPR hike in 2027

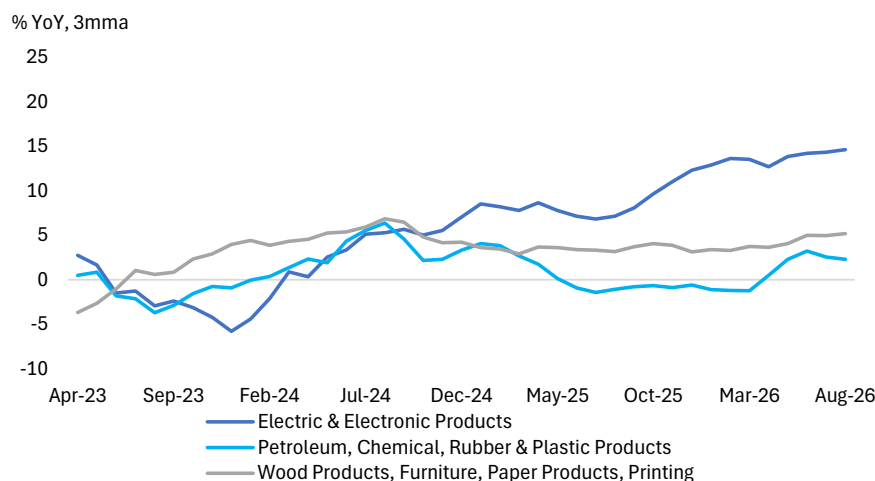
We expect job creation to remain supported by steady household consumption, tourism spending, investment pipelines and robust industrial activity, particularly in the export-oriented segment. Nonetheless, the increase in the minimum wage to RM2,000 effective June 2027 could add to existing business cost pressures and weigh modestly on hiring. Overall, labour market conditions should remain broadly resilient. We maintain our expectation for **one 25-bp OPR hike to 3.00% in 2027**.

Figure 1: Manufacturing output rose in August



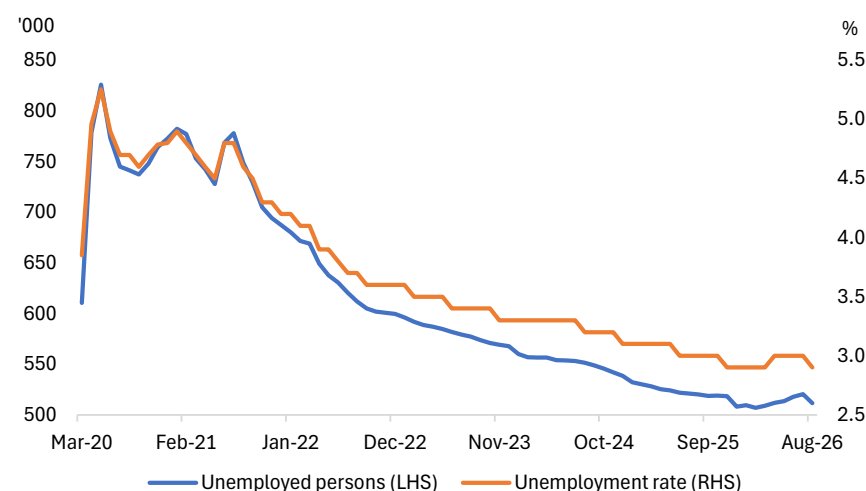
Source: Department of Statistics, Apex Securities

Figure 2: E&E remained resilient in August



Source: Department of Statistics, Apex Securities

Figure 3: Unemployment rate improved to 2.9% in August



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.
