

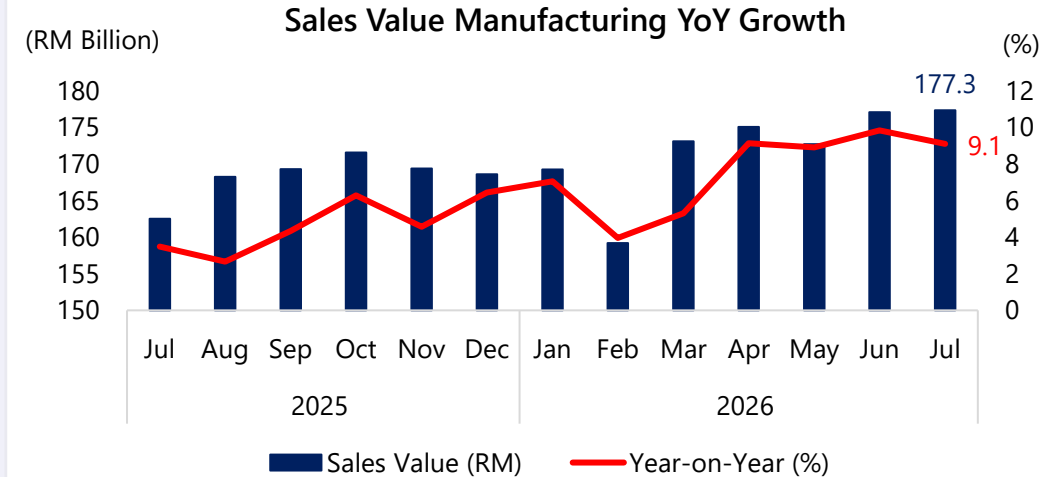
MIER Monthly Macro

October 2026

MIER Monthly Macro – October 2026

- The underlying **growth drivers have maintained their momentum** as the economy enters the fourth quarter of 2026. Continued strength in production and sales has provided support to economic activity, while price pressures remain present despite broadly manageable headline inflation.
- Against this backdrop, MIER maintain our **GDP growth forecast at 5.0% for 2026**. With a stable ringgit and consumer prices, **MIER expect inflation to be between 1.9-2.0%** for the year.
- **Manufacturing sales continued to expand in July 2026, led by export industries**. These industries made up most of total sales and **grew faster than domestic industries**. **E&E was the main driver**, supported by strong growth in computer and electronic products.
- **Industrial production moderated in July 2026, dragged down by the mining sector**. Mining output declined as crude oil production continued to fall, while slower growth in natural gas was insufficient to offset the decline.
- **Wholesale and retail trade sales** continued to grow in July 2026, with growth recorded across all subsectors. **Wholesale trade was the largest contributor**, driven by higher fuel sales. **Retail trade stayed steady as consumers continued to spend**, while motor vehicle sales also grew.
- **Exports grew strongly in August 2026, led by domestic exports. E&E products were the main driver**, with help from other manufactured goods. **Penang remained the top exporting state**, followed by Johor and Selangor.
- **AI-driven demand has provided a significant boost** to Malaysian manufacturers, with trade values continuing to reach record levels. However, the strength of AI-related exports may mask more **subdued growth in other sectors**, a risk highlighted by the World Bank.
- **Upstream producer price pressures** were concentrated in **volatile mining commodities** and **utility tariff adjustments**, while manufacturing anchored broader industrial costs. This suggests, input price pressures linger, as global energy prices fluctuate at higher levels.
- **Downstream consumer inflation remained low and contained**, as **fuel subsidies cushioned** the impact of **mild price upticks in transport and utilities**, helping to keep daily living expenses stable.
- **AI-driven demand** has supported **modest gains in labour productivity in the manufacturing sector**, as output expanded while hours worked remain rangebound. In contrast, productivity growth in services and traditional sectors remained more closely tied to employment levels, market prices and, in some cases, harvest cycles.

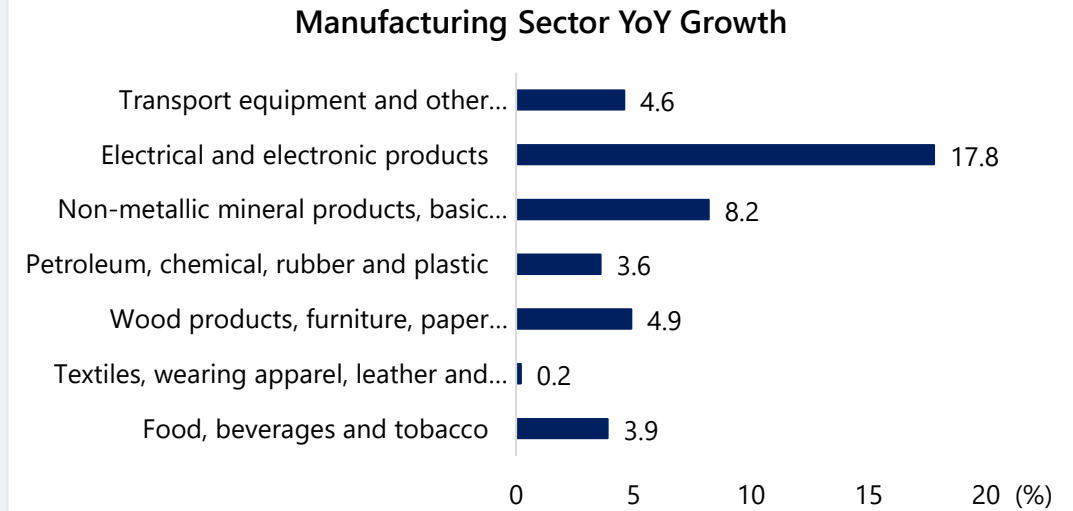
Manufacturing continues to support growth as sales value rose 9.1% to RM177.3 billion in July



Source: DOSM, Manufacturing Statistics Report, July 2026

- Manufacturing sales value increased by **9.1% YoY to RM177.3 billion** in July 2026 (June 2026: RM177.0 billion), representing a marginal monthly gain of 0.2%.
- The growth was driven by **export-oriented industries, which expanded by 9.9% YoY** and accounted for 72.2% of total sales, while domestic-oriented industries grew by 7.2% YoY. Cumulative sales for January to July 2026 reached **RM1.20 trillion, an increase of 7.6% YoY**.
- Manufacturing sector is expected to **remain robust through 2026 driven mainly by E&E**.

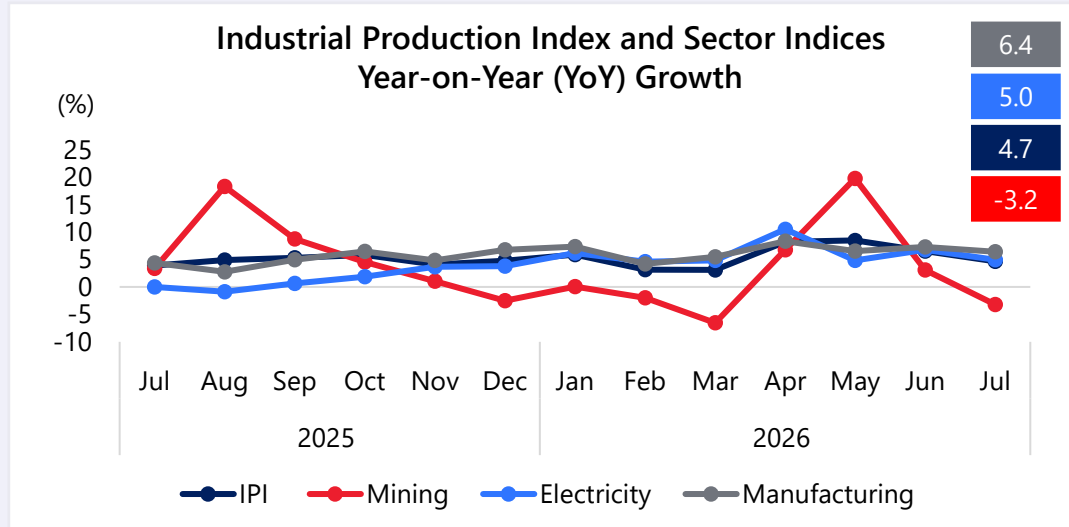
E&E leads manufacturing sales growth



Source: DOSM, Manufacturing Statistics Report, July 2026

- **E&E products recorded the strongest growth** among subsectors at **17.8% YoY** in July 2026, underpinned by computer, electronic and optical products that expanded by 19.0% YoY. The growth in E&E product continue to gain from the technology upcycle and AI boom.
- Other subsectors expanded at a more moderate pace, led by non-metallic mineral products, basic metals and fabricated metal products at **8.2% YoY**, while textiles, wearing apparel and leather products recorded the lowest growth of 0.2%

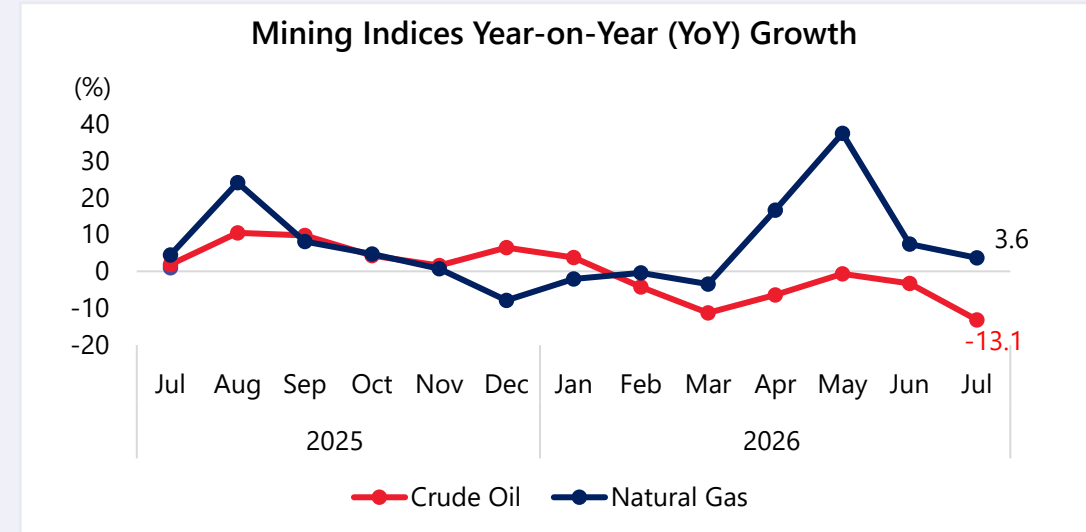
July Industrial Production moderated on lower crude oil output



Source: DOSM, IPI Report, July 2026

- **IPI moderated to 4.7% YoY** in July 2026 (June 2026: 6.5% YoY), due to a **3.2% YoY contraction in Mining** (June 2026: 3.1% YoY), as crude oil output fell amid continued weakness in domestic production.
- Growth was supported by **Manufacturing and Electricity, which both expanded by 6.4% and 5.0%**. Manufacturing driven by computer, electronics and optical products expanded by 14.0% in July on sustained global semiconductor demand.

Mining sector production contracted as crude oil production fell further

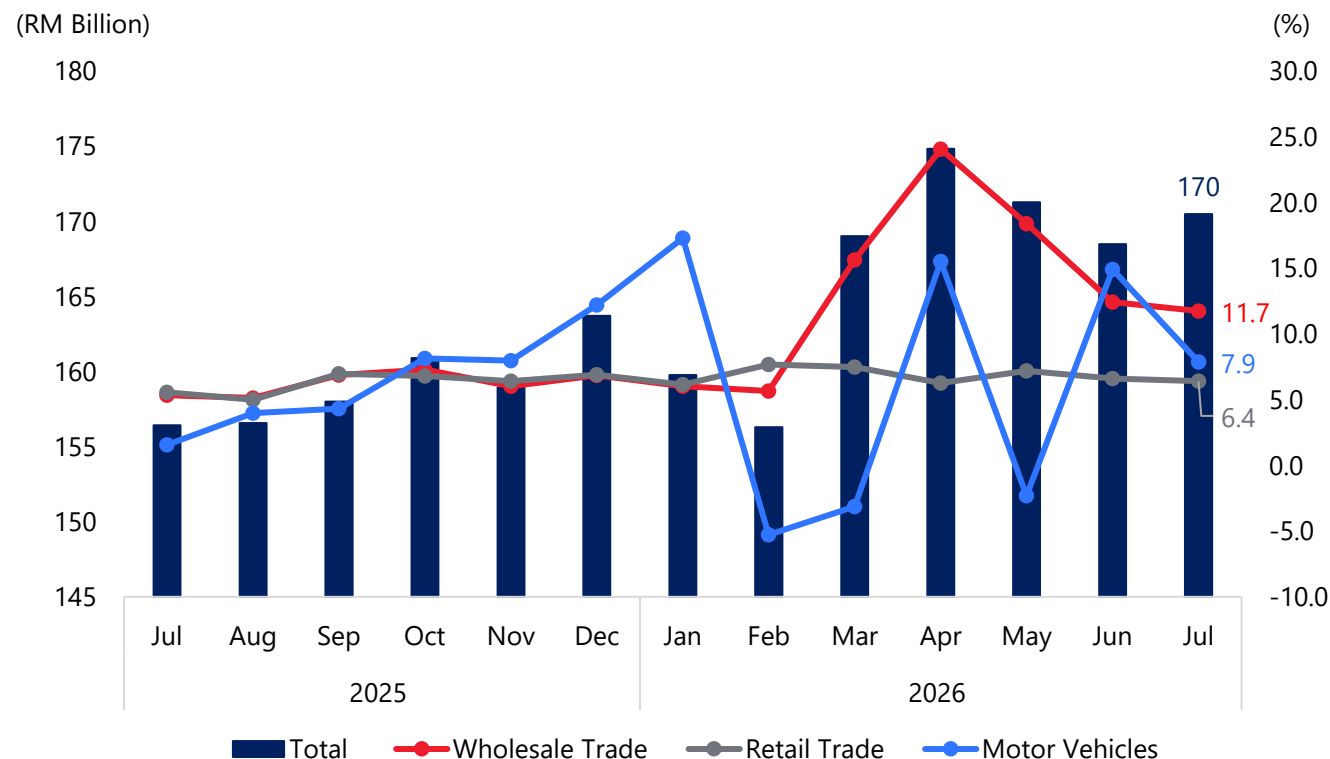


Source: DOSM, IPI Report, July 2026

- **Crude oil output contracted by 13.1% YoY** in July 2026 (June 2026: -3.3% YoY), continuing its decline since February 2026, reflecting output normalisation following earlier production adjustments and front-loading extraction.
- Natural gas output grew by 3.6% YoY in July 2026 (June 2026: 7.4% YoY), easing further from the stronger growth recorded in May 2026. However, this was **insufficient to offset the decline in crude oil output**, contributing to the contraction in Mining production.

Broad-based sales growth sustain wholesale and retail trade

Sales Value of Wholesale & Retail Trade By Sub-Sector YoY Growth

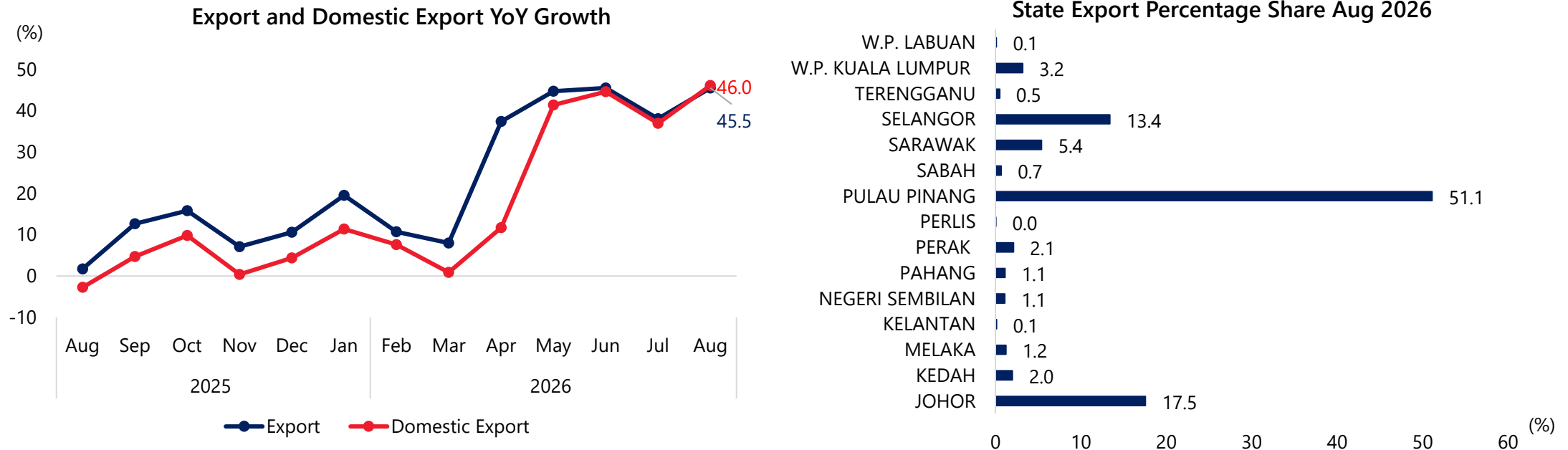


Source: DOSM, Performance of Wholesale & Retail Trade, July 2026

Retail trade growth trend remain stable as consumers continue to spend

- **Wholesale and retail trade sales value increased by 9.0% YoY to RM170.5 billion in July 2026** (June 2026: 10.1% YoY), supported by **broad-based growth across all subsectors**, while the volume index rose by 4.1% YoY.
- **Retail trade grew by 6.4% YoY** to RM71.3 billion, driven by higher sales at supermarkets and department stores, as well as E-commerce and online sales. Meanwhile, motor vehicles expanded by 7.9% YoY to RM20.8 billion, attributed to vehicle sales (8.3% YoY) and continued demand for vehicle servicing and aftermarket components. A steady labour market and targeted aid has kept retail trade supported.
- **Wholesale trade remained the largest contributor, expanding by 11.7% YoY** to RM78.4 billion, led by other specialised wholesale (22.8% YoY) on higher sales of petrol, diesel, lubricants and LPG, partly reflecting higher petroleum-related prices. Wholesale of agricultural raw materials rose by 9.0% YoY, mainly on stronger demand for palm oil.

Domestic exports drive export growth, led by Penang



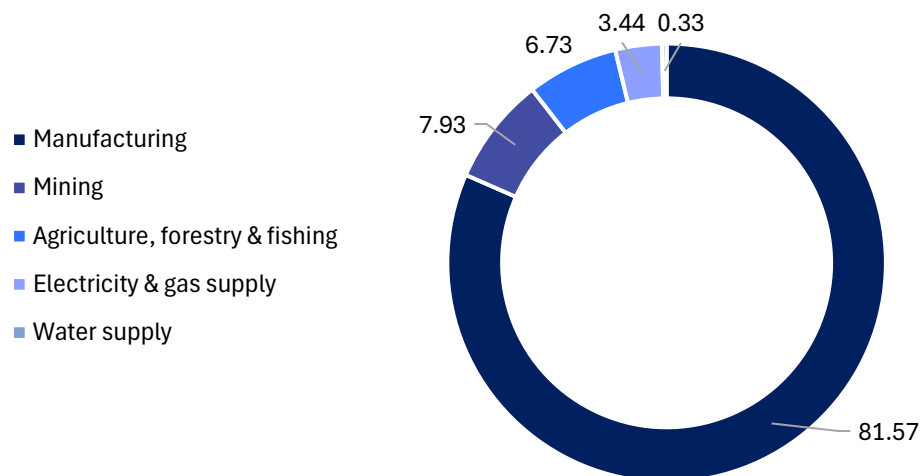
Source: DOSM, Monthly External Trade Statistics, August 2026; NST, Penang, Johor, Selangor Dominate Malaysia's RM354bil August Trade, September 2026

- **Total exports increased by 45.5% YoY to RM191.0 billion** in August 2026, supported by domestic exports, which grew by 46.0% YoY to RM151.0 billion. Export growth was driven mainly by higher global demand for **E&E products, which increased by RM36.9 billion**, alongside other manufactures (RM13.7 billion), LNG (RM2.1 billion) and petroleum products, partly reflecting higher energy-related prices.
- **Penang remained the largest exporting state, accounting for 51.1% of total exports** (July 2026: 48.4%), followed by Johor (17.5%) and Selangor (13.4%). Penang's exports rose by RM49.2 billion YoY, accounting for **more than four-fifths of the national increase**, while Sabah recorded the largest decline at RM974.1 million.
- The key export destinations were **US, surging 130.4% YoY, Singapore 58.5% YoY and China 19.9% YoY**

*Goods are classified as domestic exports when they are locally produced or manufactured and taken out of the country, while re-exports are imported goods shipped out again without transformation, apart from repacking, sorting or grading.

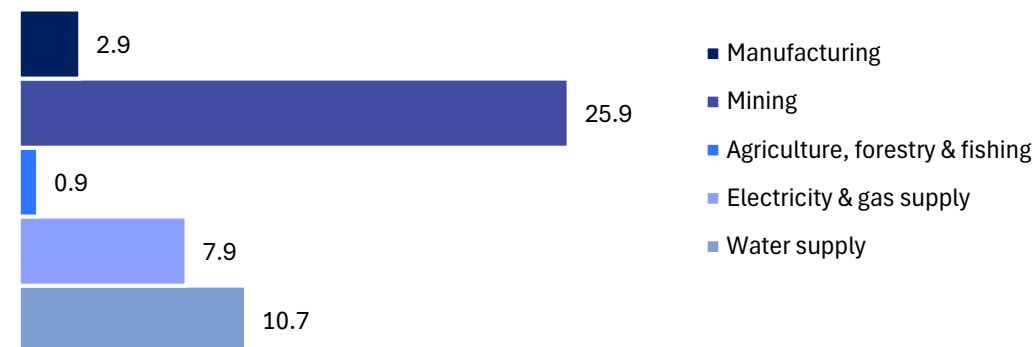
Producer Prices: Mining price surge drives PPI growth despite representing less than 8% of domestic production

PPI Local Production Basket Structure (%)



Source: DOSM, Production Price Index Local Production: August 2026

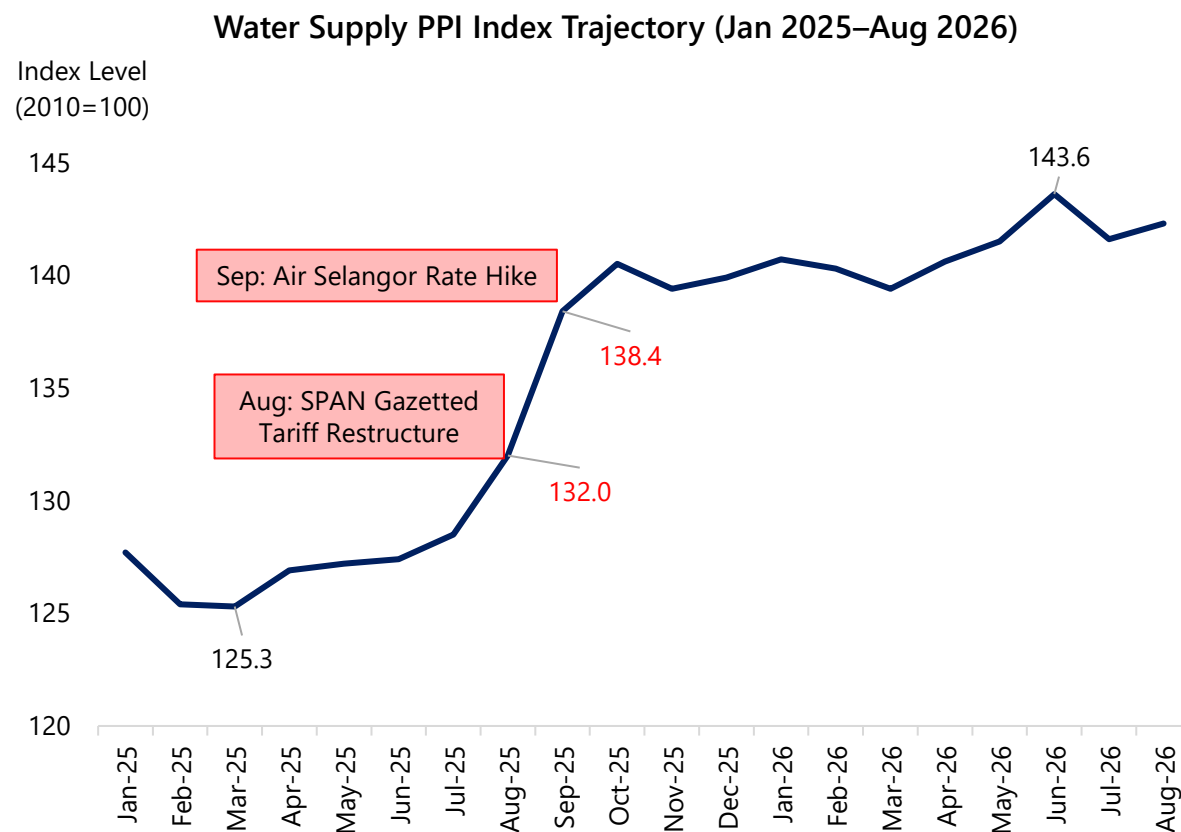
Producer Price Growth by Sector, Jan–Aug 2026 (%YoY)



Source: DOSM, Production Price Index Local Production: August 2026

- **Producer Price Index (PPI)** maintained continuous upward momentum throughout the year, transitioning from negative territory in January (-2.9% YoY) to reach 10.7% YoY in August, bringing the **Jan–Aug 2026 headline average to 4.6% YoY**.
- **Manufacturing** serves as the primary structural anchor, holding 81.57% of the total basket weight while recording the second lowest average inflation rate at **2.9% YoY** across eight months.
- **Mining** drove major headline price pressures, recording a **25.9% YoY** surge in price growth despite accounting for less than a tenth of the domestic basket (7.93% weight). This is primarily driven by higher global energy demand, geopolitical uncertainties and steeper extraction cost.
- **Water Supply** posted the second highest relative price growth at **10.7% YoY** despite its minimal weight of 0.33%, alongside **Electricity & Gas Supply**, which expanded by **7.9% YoY** on a 3.44% weight.
- **Agriculture, Forestry & Fishing** experienced minor price adjustments, edging up by average **0.9% YoY** against a 6.73% basket weight.

The SPAN tariff restructuring in Q3 2025 drives Water Supply inflation through 2026

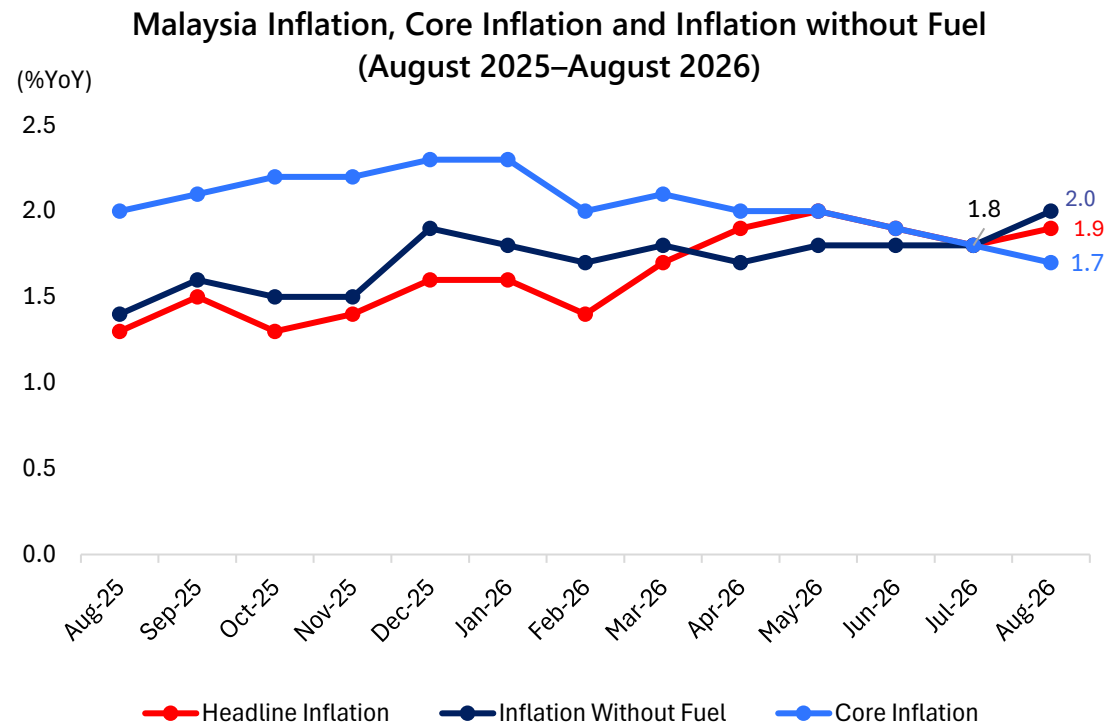


Source: DOSM, Production Price Index Local Production: August 2026

- The ongoing Water Supply inflation is a continuation of rising trend since mid-2025 when water Supply PPI accelerated from **3.4% YoY (132.0 pts) in August 2025** to **9.1% YoY (138.4 pts) in September 2025**.
- The initial driver was the **nationwide water tariff restructuring** gazetted under the **National Water Services Commission (SPAN)** across Peninsular Malaysia and Labuan (excluding Perak), aimed at funding critical water infrastructure upgrades and pipe replacement programmes, effective on 1 August 2025.
- Given that Selangor, Kuala Lumpur and Putrajaya constitute **Malaysia's largest commercial base**, with Air Selangor serving more than 2.77 million accounts [1], the September 2025 tariff restructuring contributed to a 4.8% month-on-month increase in the national PPI.

[1] <https://www.nst.com.my/news/nation/2025/08/1254150/high-water-users-businesses-pay-more-under-selangors-new-tariffs>

Consumer Inflation: Following July convergence, August CPI metrics diverge as subsidised fuel mitigates core inflation



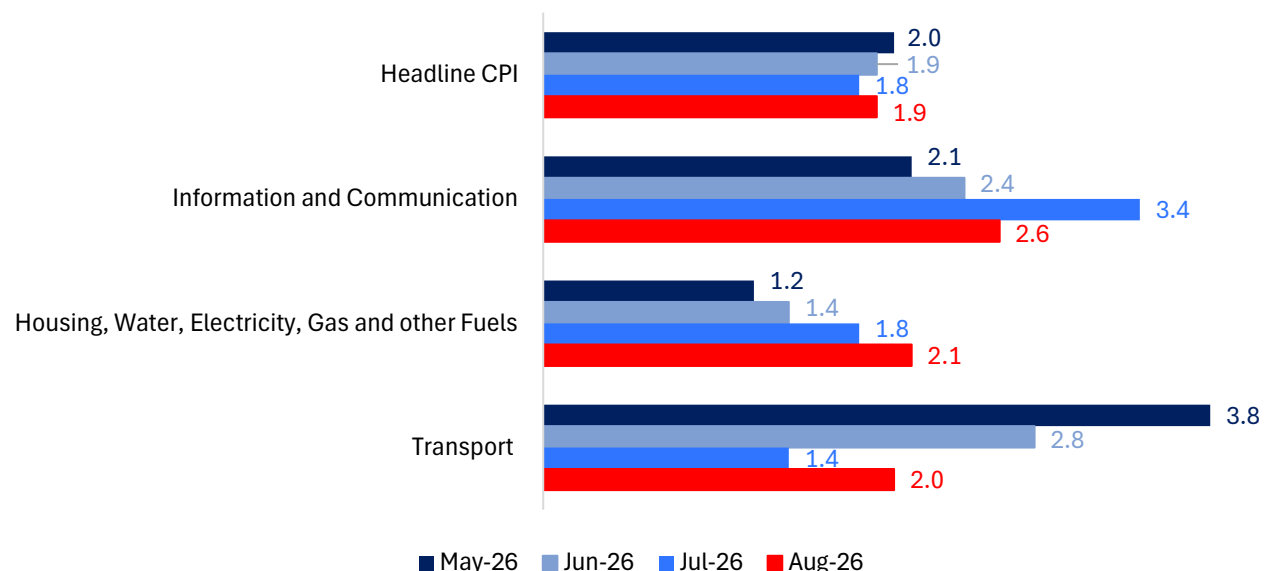
Source: DOSM, Consumer Price Index Report: August 2026

- Following convergence at **1.8% YoY in July 2026**, inflation metrics split into three distinct paths in August driven by diverging fuel and non-fuel pressures. Nevertheless inflation remains benign supported by fuel subsidies and limited pass-through from producer prices
- Inflation Without Fuel rose to 2.0% YoY**, driven by upward movements in Food & Beverages (1.7% YoY) and Utilities (2.1% YoY).
- Headline Inflation edged up to 1.9% YoY** (from 1.8% in July), driven by Transport group inflation accelerating to **2.0% YoY** (up from 1.4% in July) alongside elevated non-fuel price levels.
- Core Inflation**, which does not take into account volatile prices of fuel, **further eased to 1.7% YoY** (down from 1.8% in July), anchored by a slowdown in Information & Communication to 2.6% (down from 3.4% in July), which offset mild upticks in Personal Care (3.2%) and Restaurants & Accommodation Services (2.1%).

*Headline Inflation tracks total cost-of-living changes across all goods; Core Inflation strips out volatile items to show underlying economic demand; and Inflation without Fuel isolates state energy subsidy impacts from general price trends.

Headline inflation at 1.9%, but price pressures in key consumption categories remain elevated

Headline CPI and Sub-Group Movements, May–Aug 2026 (%YoY)

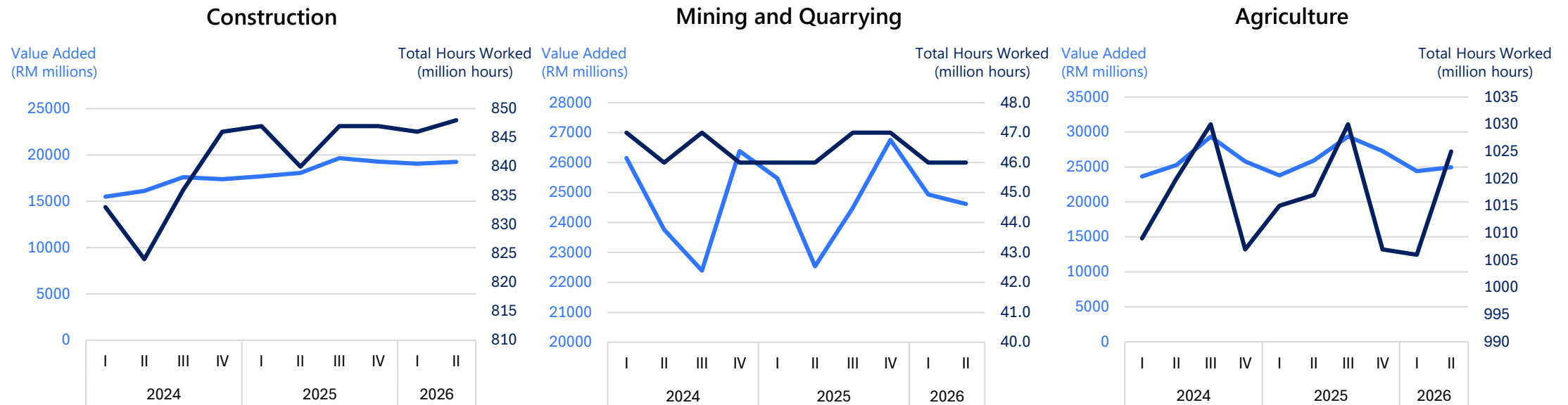


Source: DOSM, Consumer Price Index Report: Aug 2026

Information & Communication inflation eased but still above headline index

- **Headline CPI** recorded minor adjustments across the four-month period, easing from 2.0% YoY in May to 1.8% YoY in July before **edging up slightly to 1.9% YoY in August**.
- **Information and Communication** posted a sharp increase from 2.1% YoY in May to a peak of 3.4% YoY in July, before experiencing a **sudden pullback to 2.6% YoY in August**. This is largely due to digital service operational expenses, technology infrastructure upgrade and higher enterprise input costs.
- **Housing, Water, Electricity, Gas and Other Fuels** recorded a **continuous upward hike** since May, rising steadily from 1.2% YoY to 1.4% in June, 1.8% in July, and **reaching 2.1% YoY in August**.
- **Transport** experienced a steep slowdown from 3.8% YoY in May to 2.8% in June and a low of 1.4% in July, before making a **rebound to 2.0% YoY in August**.

Labour Productivity: Traditional sectors remain bound to physical labour, external commodity and seasonal cycles



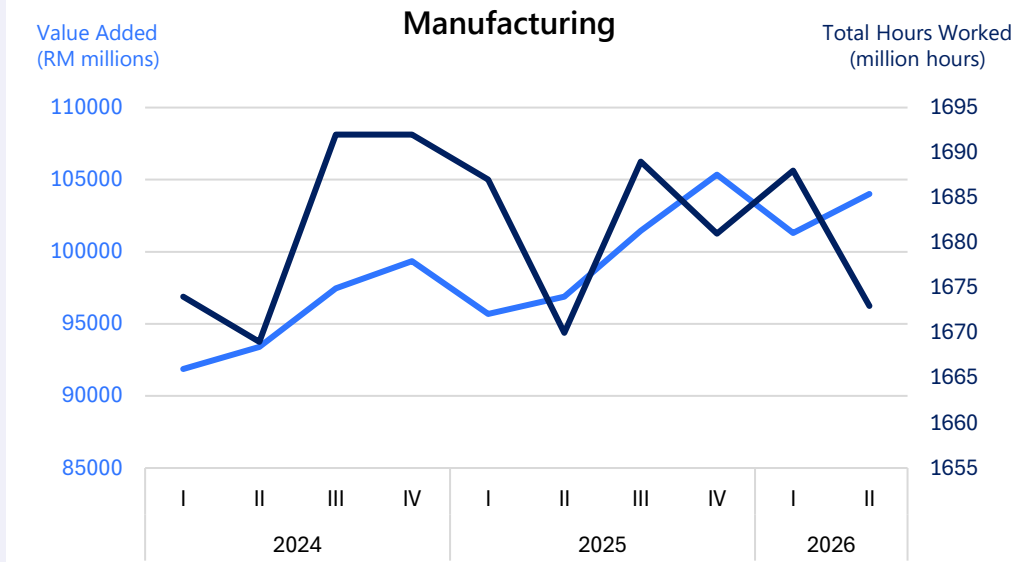
Source: DOSM, Labour Productivity Second Quarter 2026

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- **Construction value added closely tracks physical hours worked**, with temporary mid-year drops in hours worked driven by festive holiday closures.
- Expanding construction value added directly requires more hours worked, showing **high reliance on physical labour input** with minimal capital-labour substitution.
- Total hours worked in the **Mining sector** remain **strictly flat between 46.0 and 47.0 million hours** across all quarters.
- Value added **fluctuates sharply** between RM22,391 million and RM26,800 million independently of hours worked. This is **driven by global commodity pricing** rather than labour input adjustments.
- **Agriculture** value added and total hours worked **follow repeating quarterly harvest patterns**, consistently peaking in the third quarter of each year.
- Quarterly productivity shifts reflect seasonal harvest timing rather than structural changes in operational efficiency.

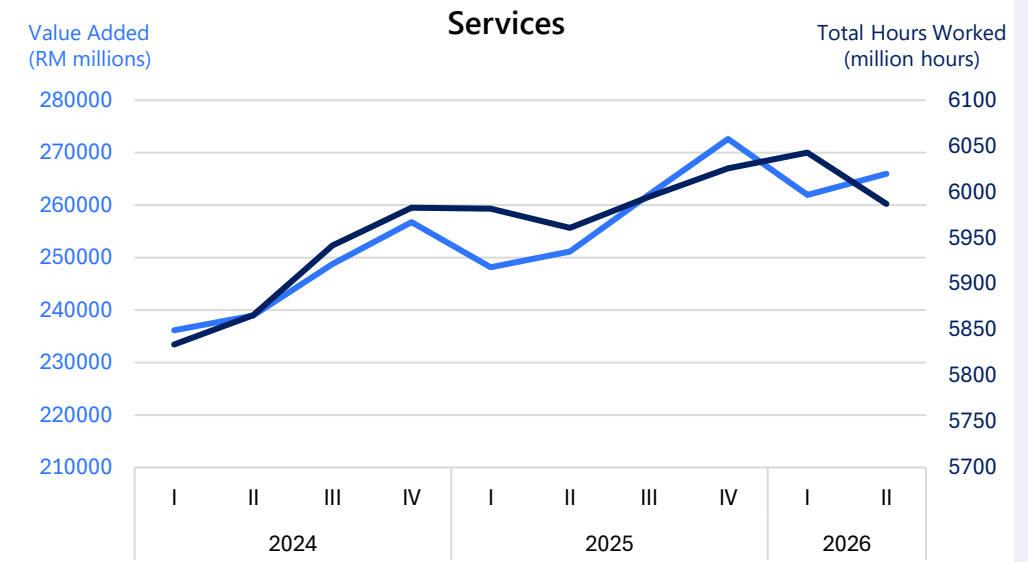
Manufacturing leads efficiency gains



Source: DOSM, Labour Productivity Second Quarter 2026

- **Manufacturing value added grew relatively steady** from RM91,868 million in Q1 2024 toward RM104,007 million in Q2 2026, while **total hours worked rose and declined** from 1,692 to 1,670 million hours between Q3 2024 to Q2 2025.
- This divergence between expanding output value and flat-to-declining physical hours suggests **positive productivity growth**.

Value-added in Services highly correlated with hours worked



Source: DOSM, Labour Productivity Second Quarter 2026

- **Services value added and total hours worked display steady, parallel growth** across the entire 2024–2026 timeframe.
- Sector output expanded from RM236,156 million to RM265,968 million alongside a proportional increase in hours worked from approx. 5,800 to 6,000 million hours, reflecting **stable labour market and human capital utilisation**.



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