ECONOMIC CROSSCURRENTS

IPP MY36 Thermometer with Asia Macro Lens

Sept 2026

prepared by IPPFA Sdn. Bhd.

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Executive Synthesis

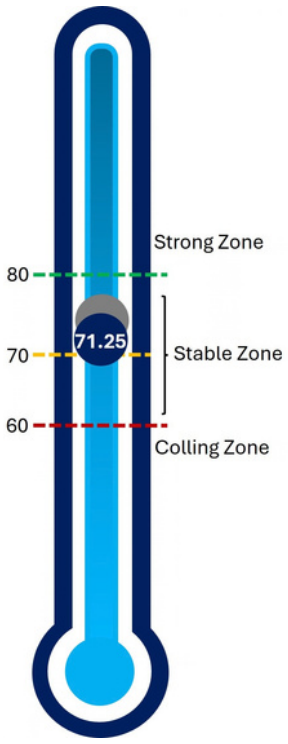
Malaysia's economy remains resilient, supported by stable domestic demand, external trade and sound macroeconomic fundamentals. *The IPPMY36 Thermometer eased to 71.25 from 73.50 in August, remaining within the Stable Zone and signalling moderating momentum rather than broad-based weakness. As growth becomes more measured, corporate performance will increasingly depend on operational efficiency, margin protection and disciplined capital allocation.*

Across Asia, supply-chain and cost pressures are becoming increasingly important business risks. *Regional financial conditions have stabilised, but elevated freight costs, industrial commodity prices and uneven manufacturing activity are creating differentiated effects across sectors. Competitive advantage will increasingly depend on pricing power, supply-chain resilience, procurement efficiency and the ability to allocate capital towards structurally stronger markets.*

Bottom line: *Malaysia's growth outlook remains constructive, but sustaining earnings will require operational agility, cost discipline and strategic capital allocation as economic momentum normalises and sector-specific pressures become more pronounced.*

MET Snapshot: Economic Resilience Holds as Momentum Normalises

Malaysia's macroeconomic conditions remained resilient in September, although the MY36 Thermometer eased to 71.25 from 73.50 in August, remaining within the Stable Zone and signalling softer momentum rather than broad-based weakness. The moderation reflects normalising momentum, while external trade, manufacturing activity, resilient domestic demand and stable labour-market conditions support growth. Contained inflation and stable financial conditions reinforce the economy's resilience.



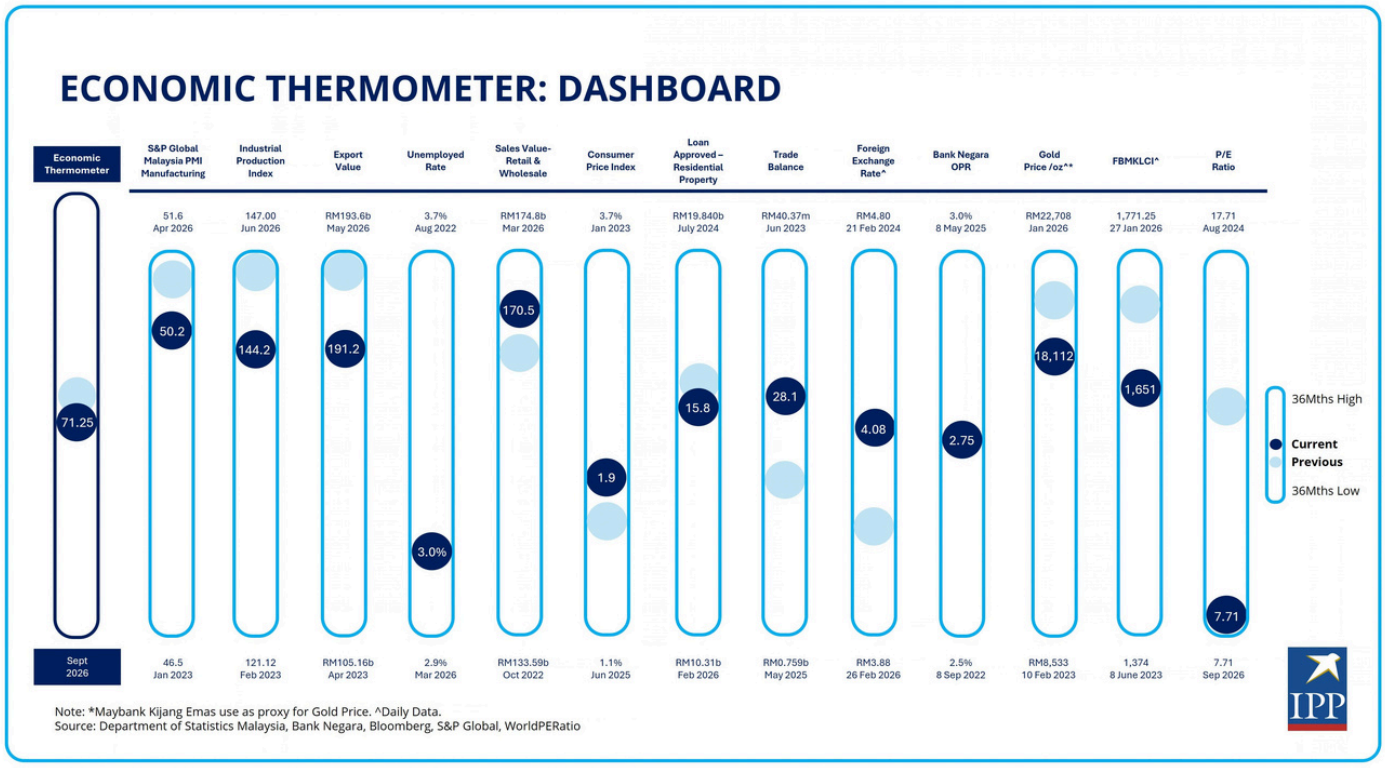
The assessment suggests Malaysia is moving into a normalised, differentiated phase of growth, where fundamentals remain resilient but momentum is becoming more measured. External activity remains a foundation, with exports and trade supportive, while domestic consumption is underpinned by contained inflation and a labour market. Nevertheless, cautious investor sentiment, global uncertainty and geopolitical risks could influence business confidence and investment decisions. Overall, the MY36 assessment indicates that economic activity remains stable, but corporate performance will increasingly depend on operational efficiency, margin management, disciplined capital allocation and navigating a more uncertain external environment, as businesses navigate evolving external conditions and preserve sustainable competitiveness.

All data as at 1 Oct 2026, 8:00 am Malaysia time, unless otherwise stated

Key Signals from the IPP MY36 Thermometer

The moderation in the MY36 Thermometer reflects softer momentum rather than deterioration in Malaysia's fundamentals. While the economy remains within the Stable Zone, manufacturing, exports, trade and resilient domestic demand continue to support activity. Low unemployment and contained inflation further support household income and purchasing power. The balance between resilient fundamentals and moderating momentum suggests a supportive but increasingly differentiated growth environment. External trade and manufacturing remain important drivers, while domestic demand provides a stable base. However, businesses exposed to global demand, financial-market volatility and geopolitical risks face greater uncertainty, reinforcing the need for financial flexibility, cost discipline and selective capital allocation.

Three Indicator Supporting Sustained Momentum



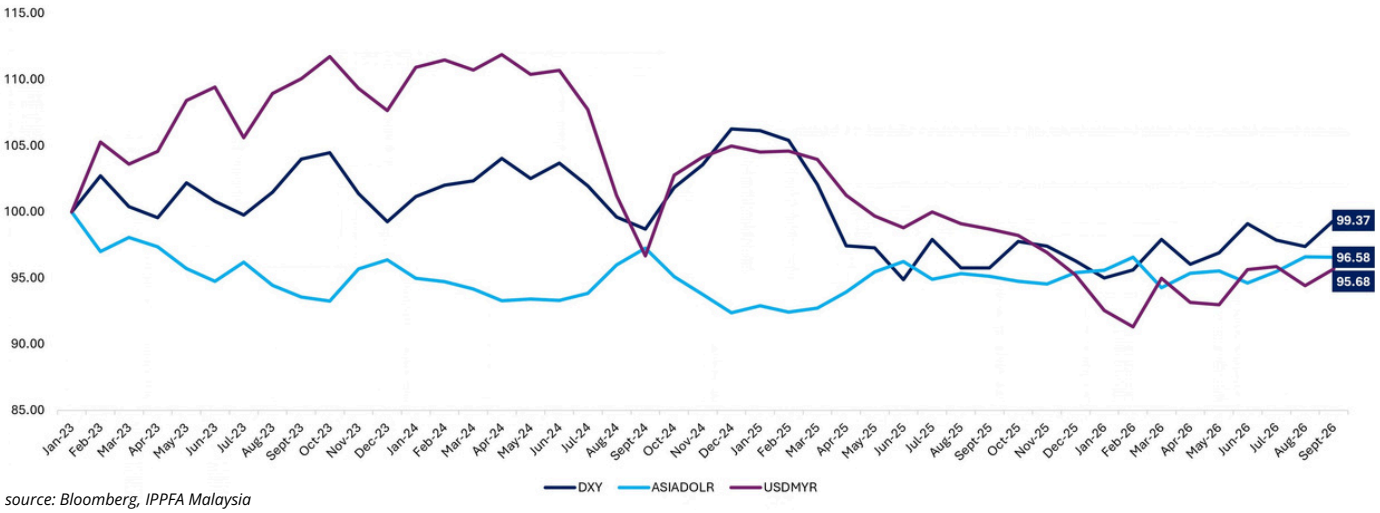
Growth remains supported by external trade and production, domestic demand and stable financial conditions. Exports reached RM191.2 billion, with the trade surplus widening to RM28.1 billion, while industrial production stood at 144.2 and the Manufacturing PMI remained in expansion at 50.2. Domestic demand also remained resilient, supported by contained inflation at 1.9%, wholesale and retail sales of RM170.5 billion and a low unemployment rate of 3.0%. The MY36 assessment therefore points to a stable economic foundation despite moderating momentum.

For businesses, the current environment remains supportive of continued activity, but stronger macroeconomic resilience does not necessarily translate automatically into stronger corporate earnings. Companies will need to focus on converting stable demand into sustainable growth through operational efficiency, margin protection and disciplined capital allocation, while maintaining financial flexibility to navigate changes in external demand, financial conditions and geopolitical risks.

Asia - Macro & Financial Conditions

Malaysia's macroeconomic environment remains increasingly influenced by regional financial conditions rather than domestic factors alone. The broad stabilisation of Asian currencies suggests that capital flows are becoming less reactive to US dollar movements and increasingly differentiated by country-specific fundamentals. The ringgit's close alignment with the Asia Dollar Index indicates that Malaysia is participating in this broader regional repricing rather than experiencing idiosyncratic currency pressures.

Asia and Global Currency Conditions (Rebased to Jan-2023 = 100)



source: Bloomberg, IPPFA Malaysia

This relative stability reflects Malaysia's resilient domestic demand, contained inflation and relatively healthy external position, which continue to support confidence in the ringgit alongside broader regional currency stabilisation. However, exchange-rate stability should not be viewed as permanent. Changes in US monetary-policy expectations, geopolitical developments and global risk sentiment could still influence regional capital flows and currency performance, creating renewed volatility for businesses with significant foreign-exchange exposure.

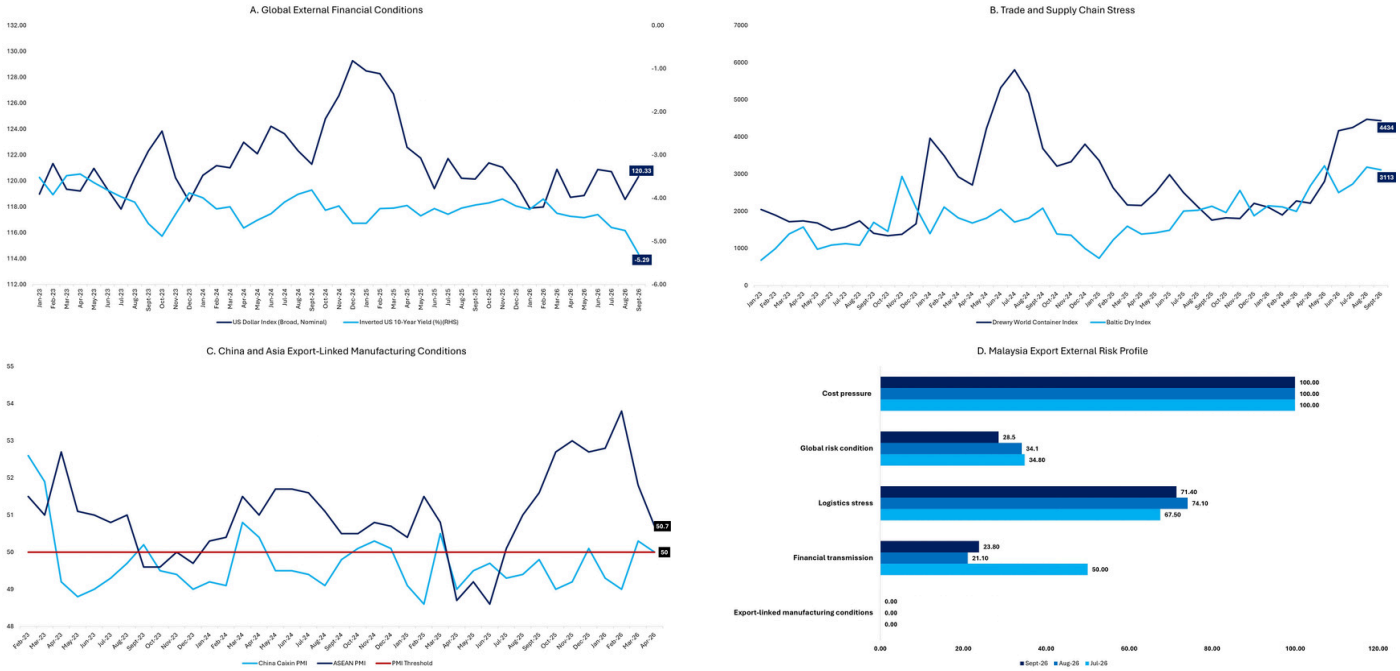
For corporates, the implication is that currency movements are becoming a less reliable source of competitive advantage. As exchange-rate volatility moderates, business performance will increasingly depend on operational competitiveness, productivity improvements and the ability to optimise regional supply chains. Companies that have relied on favourable currency movements to support margins may find those benefits diminishing, increasing the importance of cost efficiency, procurement discipline, operational resilience and market diversification.

This evolving environment reinforces the need for more disciplined and differentiated capital allocation across Asia. Rather than adopting a uniform regional strategy, businesses should differentiate investment decisions according to market fundamentals, regulatory stability and domestic demand resilience. Maintaining financial flexibility, diversifying regional operations and aligning investment with structurally stronger markets can help companies sustain earnings and capture opportunities as Asia's macroeconomic landscape becomes increasingly differentiated.

Asia - Transmission Channels

Asia's external transmission channels are continuing to normalise, but the nature of risks is shifting from financial conditions towards trade and supply-chain pressures. The latest indicators suggest that external financial conditions have become less restrictive, reducing pressure on regional funding costs and liquidity. However, rising logistics costs, evolving trade policies and persistent geopolitical uncertainty continue to shape the operating environment, creating a more complex external backdrop for Asian businesses.

Asia's External Transmission Channels Continue to Normalise



note: Month-end data. US 10-year Treasury yield inverted so that higher values indicate easier external financial conditions. PMI data lagged for 1 month.
source: Federal Reserve, Bloomberg, WTO, IPPFA Malaysia

The latest data point to greater resilience in regional trade activity, although conditions remain uneven. Elevated freight indicators signal stronger shipping demand alongside renewed cost pressures across global supply chains. ASEAN manufacturing continues to outperform China, reinforcing the region's growing role in regional production and trade. For Malaysian companies, this creates opportunities from supply-chain reconfiguration, while increasing the need to manage logistics and input costs effectively.

For Malaysian businesses, the key implication is that margin risks are increasingly shifting from demand weakness towards operating costs. Export prospects remain constructive, but higher transportation costs, input prices and fragmented supply chains could constrain profitability. Companies relying primarily on stronger demand may face greater margin pressure, making pricing discipline, procurement efficiency and inventory management increasingly important.

Consequently, strategic priorities should shift from managing financial risks towards strengthening operational resilience. Businesses that diversify suppliers, optimise logistics, improve inventory management and maintain prudent financing structures will be better positioned to protect margins. As regional production networks evolve, companies that strengthen supply-chain flexibility while capturing ASEAN's growing manufacturing role should be better positioned to sustain earnings in a more differentiated global trade environment.

Trade and Price Transmission

The global cost environment is becoming more differentiated, with commodity price movements creating uneven cost and earnings effects across sectors. While energy prices have moderated in some segments, the latest commodity data show renewed strength in crude oil alongside elevated industrial metals and selected agricultural commodities. This divergence means businesses are facing increasingly sector-specific cost pressures rather than a broad-based inflationary environment.

Cost Regime Snapshot

The global cost environment is shifting from broad-based inflation towards more fragmented and sector-specific cost pressures. Energy, industrial metals and agricultural commodities are moving at different speeds, creating divergent effects across manufacturing, infrastructure, plantations and consumer industries. For C-suites, this reinforces the need for targeted procurement, pricing discipline and flexible cost management, rather than applying broad cost adjustments across the business.

Key Commodity Price Reference Table

Commodity	12-months Change (%)	Oct-25	Nov-25	Dec-25	Jan-26	Feb-26	Mar-26	Apr-26	May-26	Jun-26	Jul-26	Aug-26	Sept-26
Crude oil, Brent ($/bbl)	71.89%	64.7	63.6	62.7	66.8	71.1	103.7	120.4	107.5	85.4	83.4	90.9	116.8
Crude oil, Dubai ($/bbl)	37.71%	64.3	63.8	62.0	63.9	68.4	91.9	92.7	94.7	77.7	76.7	79.7	93.3
Coal, Australian ($/mt)	38.36%	107.5	112.6	107.7	109.8	118.4	138.6	130.9	136.9	138.5	131.9	135.2	147.1
Liquefied natural gas, Japan ($mmbtu)	24.26%	11.1	11.0	11.1	11.3	11.5	11.4	15.7	15.8	12.8	11.8	15.27	14.25
Copper ($/mt)	44.98%	10739.9	10812.0	11785.3	13012.0	12951.4	12528.7	12951.0	13543.2	13552.0	13543.0	14326	14474
Iron ore, cfr spot ($/dmtu)	-5.40%	103.5	102.5	104.6	105.5	98.8	104.5	106.1	108.6	100.8	98.2	96.3	97.7
Palm oil ($/mt)	13.82%	1038.1	970.4	980.5	997.8	1041.6	1108.6	1146.2	1139.8	1105.0	1101.0	1132	1180
Rice, Thai 5% ($/mt)	28.88%	356.0	368.0	424.0	408.0	409.0	381.0	403.0	440.0	494.0	467.0	471	482
Urea ($/mt)	-11.63%	394.4	409.3	392.5	415.4	472.0	725.6	856.9	770.5	453.1	400.0	390	407.5
Gold ($/troy oz)	17.76%	4058.3	4087.2	4309.2	4752.8	5020.0	4855.5	4721.4	4587.2	4228.0	4073.0	4411	4319

source: Pink Sheet Sep 2026, World Bank

The latest commodity movements highlight different implications across industries. Higher crude oil and energy-related prices could increase transportation and operating costs, while sustained copper and other industrial metal prices continue to pressure manufacturing and construction margins. At the same time, firmer palm oil and selected agricultural commodities provide support for plantation earnings, although they can raise input costs for food-related businesses. The result is a more uneven cost environment in which the impact of commodity prices increasingly depends on each industry's exposure and ability to pass costs through.

For businesses, the key implication is that managing broad inflation is becoming less relevant than managing specific cost exposures. Companies should strengthen procurement strategies, diversify supplier networks and align pricing decisions with industry-specific cost trends. Those with stronger pricing power and greater operational flexibility will be better positioned to protect margins, while businesses with limited ability to pass higher input costs to customers may face greater earnings pressure.

Trade, Costs and Margin Implications

Malaysia Exposure Matrix

Sector	External demand	Cost pressure	Margin outlook
Electronics and E&E	Stable to improving	Moderate to high *(copper, logistics, technology inputs)*	Slightly pressured
Manufacturing and machinery	Improving but uneven	High *(industrial metals, energy, freight)*	Pressured
Consumer and retail	Stable	Moderate *(imported goods, wages, logistics)*	Neutral
Energy and utilities	Stable	Moderate *(fuel and operating costs)*	Neutral to slightly positive
Construction and infrastructure	Improving	High *(steel, copper, imported materials)*	Slightly pressured
Plantations and agriculture	Stable	Mixed *(fertiliser, logistics; supportive CPO)*	Slightly positive

note: Assessments reflect the transmission of Asia trade growth, commodity prices, freight costs and currency conditions shown in Sections 2 and 3.
source: IPPFA Malaysia

Malaysia's business environment is becoming increasingly differentiated as resilient domestic demand and stable external trade face uneven cost pressures. Moderating MY36 momentum means earnings growth will depend more on execution, with freight, commodity and supply-chain costs increasing the importance of operational efficiency and pricing discipline. Manufacturing and construction remain most exposed, while E&E, consumer and retail face more balanced conditions, and plantations retain a relatively favourable outlook.

This divergence reinforces that corporate earnings are increasingly driven by sector-specific fundamentals rather than broad macroeconomic conditions. Companies with pricing power, flexible supply chains and strong procurement capabilities will be better positioned to protect margins, while those with limited pricing flexibility may face greater pressure despite resilient demand.

Economist View

Malaysia's economy remains on a stable growth trajectory, but moderating MY36 momentum signals a more selective phase of expansion. As financial conditions normalise and cost pressures become increasingly uneven, sustainable earnings growth will depend more on productivity, disciplined capital allocation and operational agility than on broad cyclical tailwinds. Companies that strengthen pricing power, diversify supply chains and maintain financial flexibility will be better positioned to preserve margins and capture opportunities in an increasingly differentiated business environment.

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Country Economist, IPPFA Malaysia

What to watch

- Export resilience amid uneven global manufacturing and evolving trade conditions.
- Freight and commodity costs as increasingly important drivers of corporate margins.
- US monetary policy, capital flows and geopolitical risks.

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