14 August 2026

Global Markets Research

Malaysia - Economics

Stronger 2Q GDP growth than initially estimated for Malaysia

Final 2Q GDP growth revised up to 6.0%; accelerating from 5.4% in 1Q

Mixed details, but spearheaded by external demand; manufacturing and services

Growth likely at the upper range of BNM's forecast; maintain steady OPR view for 2026

Final 2Q GDP revised 0.2ppt higher to 6.0%

The Malaysian economy expanded at faster pace than initially estimated by 6.0% y/y in 2Q, also a pick up from 5.4% y/y in 1Q. This does not come as an entire surprise to us given the trade surplus data in 2Q, while on the domestic side, private consumption has remained steady, while investment activities remained forthcoming. On the supply side, almost all economic sectors posted an increase. The exception was agriculture, which contracted 3.7% y/y (prior: 2.6% y/y) on account of lower output for the oil palm sector. On a quarterly basis, growth were also a tad stronger at +2.5% after stagnating the prior quarter.

Uneven growth across sectors

Taking a closer look, services (5.9% y/y vs 5.6% y/y) and manufacturing (+7.3% vs +5.9% y/y) underpinned growth in 2Q, the former driven by stronger growth for business-related services, and the latter, amid robust growth for export-oriented industries, in particularly for E&E following the AI super cycle. Mining rebounded 9.2% y/y (prior: -2.1% y/y) driven by stronger natural gas production following recovery from earlier maintenance activities, while construction posted a more modest growth of 6.5% y/y (prior: 7.7% y/y), weighed down by special trade and non-residential activities.

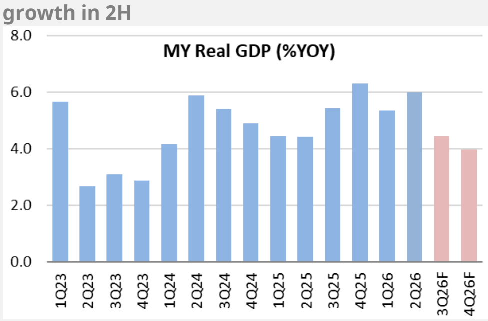
On the demand side, growth was anchored by strong external demand (exports: 17.0% y/y vs 5.2% y/y) amid the robust E&E exports, while on the domestic front, driven by a slight acceleration for private consumption (4.8% y/y vs 4.7 y/y), public consumption (7.6% y/y vs 4.1% y/y) and investment (6.3% y/y vs 5.3% y/y). Private investment, on the other hand, saw more a more modest increase at 4.3% y/y (prior: 7.8% y/y).

Outlook

We are cautiously optimistic that growth prospects of the Malaysian economy will remain sanguine. Taking cue from the 5.7% y/y growth in 1H, we expect full year growth to settle at the higher end of the official forecast range of 4.0-5.0%, above our current projection of 4.6% and barring any reescalation in geopolitical risks and its related fallout. This, coupled with the well-contained inflationary outlook (HLB: 1.9%), are expected to allow BNM to stand pat on OPR for the rest of the year. Any further upside surprises on growth could also potentially build the case for a normalization in the OPR in the first half of 2027.

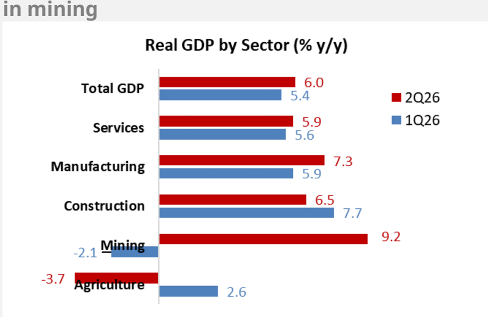
Notwithstanding downside risks from lingering impact from the Middle East, weaker global growth and sentiment, exports growth outlook, especially on the tech front, remains positive, taking its cue from the still robust global semiconductor sales (June: +123.6% and +9.7% m/m) and still expansionary global PMI (+0.6ppts to 52.6 in July). This will be complemented by a resilient domestic sector, supported by sustained household spending amid a favourable labour market, income growth and policy support, and as investment pipeline remains forthcoming, supported by FDI and new projects.

Figure 1: No change to our view for softer growth in 2H



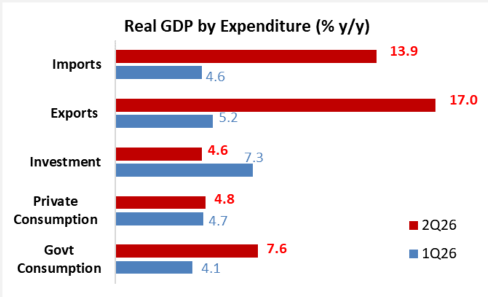
Source: DOSM, HLBB Global Markets Research

Figure 2: Reacceleration in 2Q GDP growth driven by manufacturing and a sharp rebound in mining



Source: DOSM, HLBB Global Markets Research

Figure 3: Strong external demand amid resilient domestic sector



Source: DOSM, HLBB Global Markets Research

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