GDP Grew Robustly at +5.8% in 2QCY26, Based on Advance Estimate

Economic Review
Advance 2QCY26 GDP



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Economic Review

- Based on the advance estimate, Malaysia's GDP grew stronger than expected at +5.8%yoy in 2QCY26, accelerating from +5.4%yoy in 1QCY26. Growth strengthened across most major sectors, with a contraction only in the agriculture industry.
- Growth in the services sector eased marginally to +5.4%yoy (1QCY26: +5.6%yoy), while the manufacturing sector strengthened further to +7.5%yoy (1QCY26: +5.9%yoy) on the back of robust external demand for E&E products. Mining & quarrying also rebounded sharply to +10.2%yoy (1QCY26: -2.1%yoy).
- Malaysia's economic growth has been resilient in the first half of the year, expanding by +5.6% in 1HCY26. The stronger-than-expected 1H performance will likely result in an upward revision to our full-year 2026 GDP growth forecast, currently at +4.5% (2025: +5.2%). The revision will mainly reflect the strong growth in external trade and sustained rise in domestic demand. Risks stem from elevated inflation, a re-escalation of geopolitical tensions and tighter trade policy by the US.

GDP growth accelerated, beating market expectations

Based on the advance estimate, Malaysia's GDP grew stronger than expected at +5.8%yoy in 2QCY26, accelerating from +5.4%yoy in 1QCY26. Growth picked up across most major sectors compared to the first quarter of 2026, except for the agriculture industry, which contracted by -3.7%yoy (1QCY26: +2.6%yoy), and services, which eased marginally. Notably, the continued expansion in the services and manufacturing sectors remained the key drivers, contributing +3.2ppt and +1.7ppt respectively, while the rebound in mining & quarrying added a further +0.5ppt to the 2Q GDP growth. Malaysia's GDP growth remained robust, sustained above +5.0% for the fourth consecutive quarter, bringing growth in 1HCY26 to +5.6% (2HCY25: +5.7%yoy; 1HCY25: +4.5%yoy).

Manufacturing strengthened further, while services growth held broadly steady

Despite registering a slight moderation to +5.4%yoy (1QCY26: +5.6%yoy), sustained expansion in the services sector was mainly driven by growth in the wholesale & retail trade; information & communication; and transportation & storage sub-sectors. Meanwhile, the manufacturing sector strengthened further to +7.5%yoy (1QCY26: +5.9%yoy), the fastest pace since 3QCY22, on the back of stronger export-oriented production. Key sub-sectors underpinning the 2Q expansion include E&E, optical products, and petroleum, chemicals, rubber and plastic products. The firmer factory output was corroborated by the pick-up in the manufacturing IPI (Apr-May-26: +7.4%yoy; 1QCY26: +5.7%yoy), in line with the surge in exports.

Mining rebounded strongly; but agriculture swung into contraction

The mining & quarrying sector rebounded sharply to +10.2%yoy (1QCY26: -2.1%yoy), its fastest expansion since 2QCY21, driven mainly by the natural gas sub-sector. This is consistent with the mining IPI, which jumped +19.8%yoy in May 2026 (Apr 2026: +6.8%yoy) after a -2.7%yoy contraction in 1QCY26, alongside the surge in LNG exports. The construction industry's growth moderated further to +6.6%yoy (1QCY26: +7.7%yoy), the slowest in 10 quarters, supported mainly by non-residential buildings –particularly data centre construction projects– and specialised construction activities. In contrast, the agriculture sector contracted by -3.7%yoy (1QCY26: +2.6%yoy), its first decline in 6 quarters, following a fall in all sub-sectors except other

agriculture and livestock. The weakness mainly reflected softer oil palm and fishing output, in line with the drop in CPO production.

Quarterly GDP rebounded to +1.7%qoq

On a quarter-on-quarter basis, Malaysia's GDP rebounded by +1.7%qoq (1QCY26: -4.4%qoq), partially retracing the sharp contraction in the first quarter. Based on the non-seasonally adjusted data, this was the strongest second-quarter sequential expansion since 2QCY22 (+2.2%qoq). The rebound was broad-based, with all sectors registering sequential growth except mining & quarrying (-0.4%qoq). Manufacturing led the recovery at +2.8%qoq, followed by agriculture (+2.1%qoq), services (+1.1%qoq) and construction (+1.0%qoq). Together, manufacturing and services accounted for around three-quarters of the quarterly gain.

Net exports estimated to contribute positively in 2QCY26

Looking at the recent strength in external demand, we estimate net exports contributed positively to the 2QCY26 GDP growth. In the first 2 months of 2QCY26, Malaysia's trade of goods recorded a surplus of +RM69.6b, almost 12 times larger than +RM5.8b in April-May 2025. The wider surplus was attributable to record-breaking exports (Apr-May-26: +41.2%yoy; 1QCY26: +12.7%yoy), while imports recorded more moderate growth (Apr-May-26: +17.1%yoy; 1QCY26: +7.7%yoy). In particular, the stronger exports were driven by robust shipments of E&E products, amid firm global demand linked to AI and automotive electronics, as well as higher exports of petroleum products and LNG. We note, however, that a sizeable share of April's surge came from re-exports (+113.5%yoy), which carry lower domestic value-added and hence a smaller pass-through to GDP. Nevertheless, stronger domestic exports (Apr-May-26: +26.8%yoy; 1QCY26: +6.4%yoy) also suggest stronger contribution from goods exports. We also expect the positive impact from increased tourism activities will continue to support improved exports of services in the second quarter of 2026.

Expect upward revision to our GDP forecast, reflecting resilient growth despite external challenges

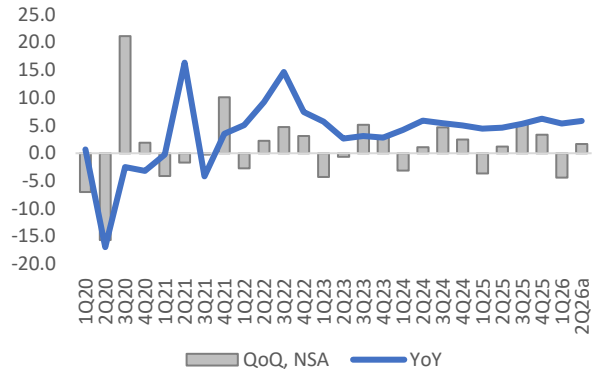
Malaysia's economic growth has been resilient in the first half of the year, expanding by +5.6% in 1HCY26. The stronger-than-expected 1H performance will likely result in an upward revision to our full-year 2026 GDP growth forecast, currently at +4.5% (2025: +5.2%). The upward revision will mainly reflect the strong growth in external trade and the still sustained rise in domestic economic activities. We will review and update our forecast after the full-quarter data for 2Q is released next month. Nevertheless, we remain wary about the downside risks to Malaysia's macroeconomic outlook in the second half of the year. First, a re-escalation of geopolitical tensions could result in prolonged supply disruptions, adversely affecting production and trade activities. Second, tighter trade policy by the US could hurt Malaysia's export outlook, more so as part of the recent export strength reflected re-exports and possible front-loading, which is unlikely to be sustained into 2HCY26. On the domestic front, elevated inflation may hurt sentiment and constrain domestic spending, as businesses raise selling prices to cover higher production costs.

Table 1: Summary of GDP by Major Sectors

	QoQ					YoY				
	2Q25	3Q25	4Q25	1Q26	2Q26[a]	2Q25	3Q25	4Q25	1Q26	2Q26[a]
GDP	**1.2**	**5.4**	**3.3**	**(4.4)**	**1.7**	**4.6**	**5.3**	**6.2**	**5.4**	**5.8**
Agriculture	8.9	13.3	(7.2)	(10.4)	2.1	2.5	0.2	5.7	2.6	(3.7)
Mining & Quarrying	(11.5)	8.7	9.2	(6.8)	(0.4)	(5.2)	9.4	1.4	(2.1)	10.2
Manufacturing	1.3	4.7	3.8	(3.8)	2.8	3.7	4.1	6.0	5.9	7.5
Construction	2.1	8.8	(1.9)	(1.1)	1.0	12.1	11.7	10.9	7.7	6.6
Services	1.2	4.3	4.1	(3.9)	1.1	5.1	5.3	6.2	5.6	5.4

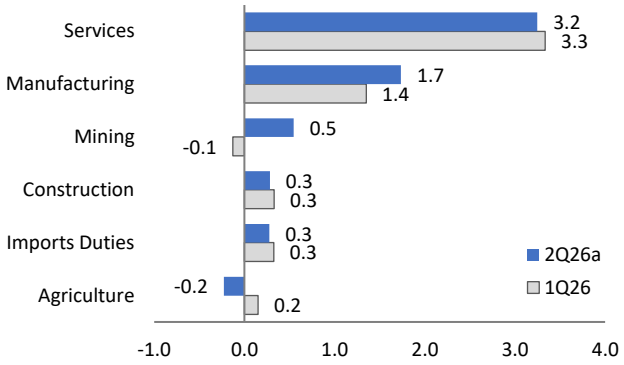
* Non-seasonally adjusted [a] Advance estimate
Source: Macrobond, MBSBR

Chart 1: Real GDP: Year-on-Year (YoY) vs. Quarter-on-Quarter (QoQ) (%)



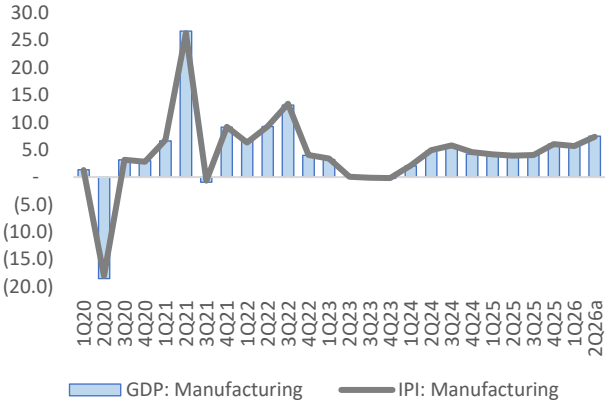
a Advance estimate
Source: Macrobond, MBSBR

Chart 2: Contribution to 2QCY26 GDP Growth by Major Sector (%-point)



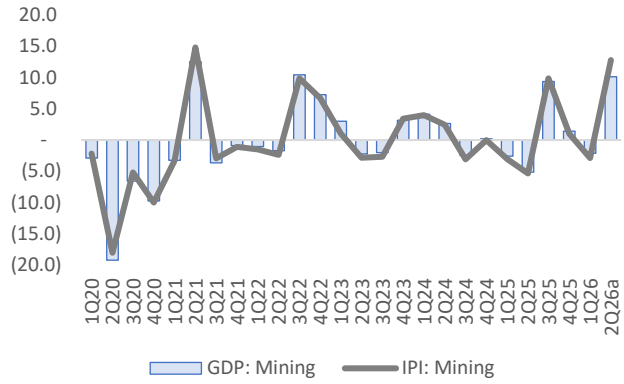
a Advance estimate
Source: Macrobond, MBSBR

Chart 3: Manufacturing GDP vs Manufacturing IPI (YoY%)



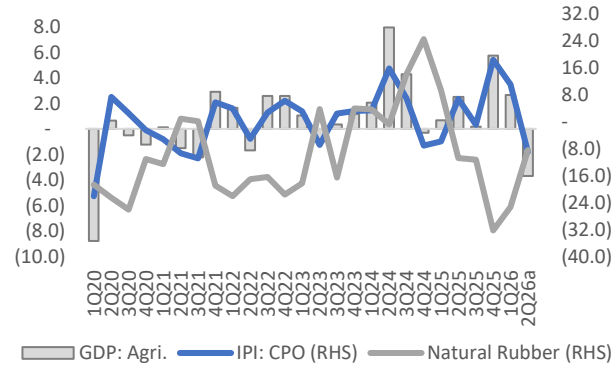
a Advance estimate
Source: Macrobond, MBSBR

Chart 4: Mining GDP vs Mining IPI (YoY%)



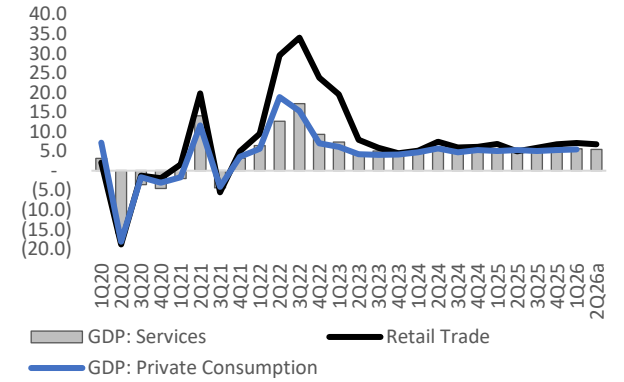
a Advance estimate
Source: Macrobond, MBSBR

Chart 5: Agriculture GDP vs CPO IPI vs Natural Rubber Output (YoY%)



a Advance estimate
Source: Macrobond, DOSM, MBSBR

Chart 6: Services GDP vs Private Consumption vs Retail Trade (YoY%)



a Advance estimate
Source: Macrobond, DOSM, MBSBR

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