Expect 2Q GDP Growth at +5.9%yoy, Slightly Above Advance Estimate

2QCY26 Economic Review: National Account Preview



Author

MBSB Research
research@mbsb.com

Economic Review

- We anticipate Malaysia's economy to grow by +5.9%yoy in 2QCY26, slightly above the +5.8% advance estimate. Domestic demand should remain an important growth anchor, on the back of stable labour market and well-contained inflation. Growth during the quarter is also supported by external trade activity, mainly driven by demand for E&E products.
- Recent data suggests potential upward revision to the construction sector growth, while the services and manufacturing sectors likely growing at rates as indicated in the advance estimate. Some downside, however, will be from the mining sector, given the more moderate growth in Jun-26.
- Taking these indicators together, we forecast 2QCY26 GDP growth at +5.9%yoy, marginally above the +5.8% advance estimate. The upside is expected to come mainly from construction and the stronger trade balance, while manufacturing and services should broadly track the advance readings. For 2026, we foresee Malaysia's economy could maintain growth around +5.0% for the third consecutive year.

Domestic demand remains a key growth anchor

We anticipate Malaysia's economy to grow by +5.9%yoy in 2QCY26, slightly above the +5.8% advance estimate. Domestic demand should remain an important growth anchor, a shown by the robust growth in distributive trade, including sustained growth (despite some moderation) in retail trade and pick-up in spending on motor vehicles. Labour market conditions also remained stable, with employment rising sustainably at +1.1%yoy keeping the unemployment rate relatively stable, despite rising slightly to 3.0% (1QCY26: 2.9%). Despite some upward pressures, headline CPI inflation only accelerated to +2.0%yoy in 2QCY26 (1QCY26: +1.6%yoy), suggesting household purchasing power remained relatively supportive despite higher energy costs.

External trade likely provides stronger support

External trade is also expected to support 2QCY26 growth. Goods exports surged +42.4%yoy, outpacing the +25.4% rise in imports and widening the quarterly trade surplus to +RM84.0b (1QCY26: RM63.2b). Strong E&E-related demand and re-exports underpinned the export performance. While part of the surge reflects base effects and front-loading, the wider surplus points to a stronger external contribution during the quarter. We also expect the increased tourism activity will continue to support improvement in service exports during the quarter.

Services growth expected to remain resilient

For services, we expect growth to remain close to the +5.4%yoy advance estimate. Distributive trade expanded strongly by +12.1%yoy in 2QCY26, although retail trade growth was more moderate at +6.7%yoy. Together with stable employment, tourism activity and contained inflation, the data suggest services activity remained resilient, albeit with some moderation in consumer momentum towards the end of the quarter. The sustained growth in services is also closely linked with the resilience and continued expansion in domestic spending activity.

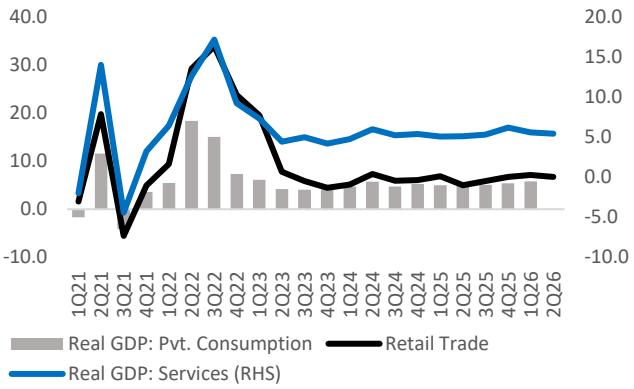
Construction points to upside; mining may be trimmed

Among the production sectors, manufacturing should remain broadly in line with the advance estimate, with manufacturing IPI expanding +7.4%yoy in 2QCY26. Construction presents the clearest upside signal, as the value of work done rose +8.8%yoy. In contrast, mining momentum eased sharply in Jun-26, suggesting some downside to the +10.2% advance estimate, while agriculture is likely to remain weak, dragged down by the reduced production of crude palm oil and natural rubber.

Expect 2QCY26 GDP growth at +5.9%yoy

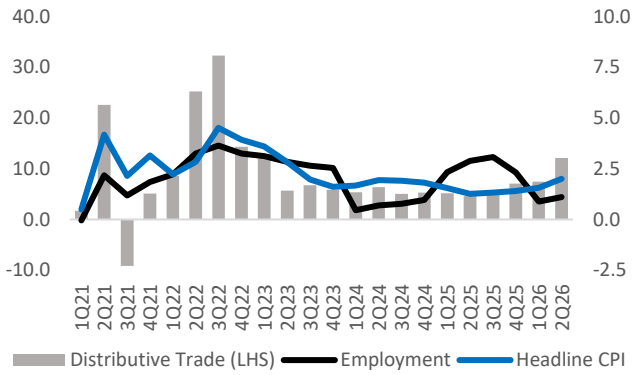
Taking these indicators together, we forecast 2QCY26 GDP growth at +5.9%yoy, marginally above the +5.8% advance estimate. The upside is expected to come mainly from construction and the stronger trade balance, while manufacturing and services should broadly track the advance readings. We expect growth to moderate in 2H26 as favourable base effects fade and elevated energy prices and geopolitical uncertainty weigh on demand. For 2026, we foresee Malaysia's could maintain growth around +5.0% for the third consecutive year, taking into account the resilience growth in 1H 2026 and the more robust growth in external trade.

Chart 1: Private Consumption vs Retail Trade and GDP: Services (YoY%)



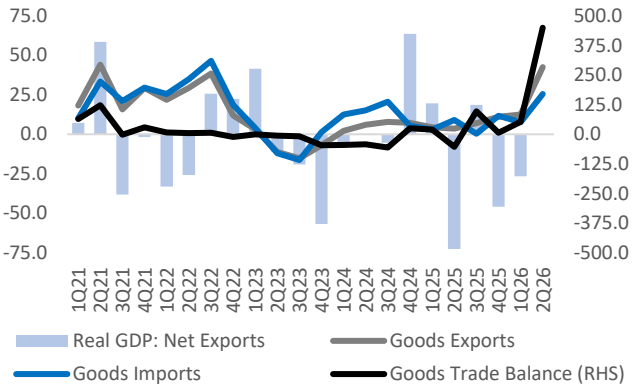
Note: Services GDP for 2QCY26 refers to advance estimate
Source: Macrobond, MBSBR

Chart 2: Distributive Trade vs. CPI and Employment (YoY%)



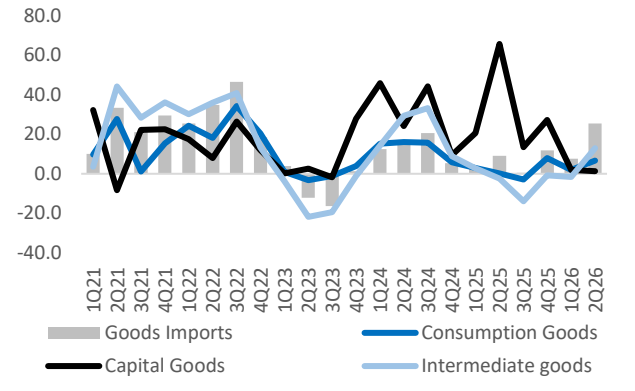
Source: Macrobond, MBSBR

Chart 3: GDP vs. External Trade of Goods (YoY%)



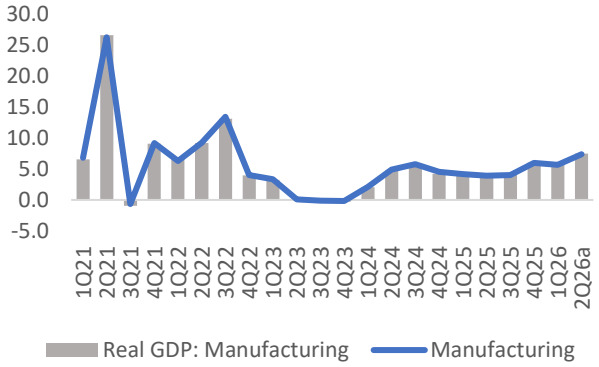
Source: Macrobond, MBSBR

Chart 4: Imports of Goods by End-Use (YoY%)



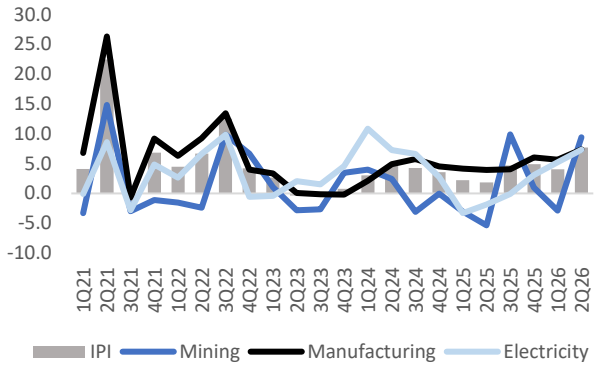
Source: Macrobond, MATRADE, MBSBR

Chart 5: IPI: Manufacturing vs. GDP: Manufacturing (YoY%)



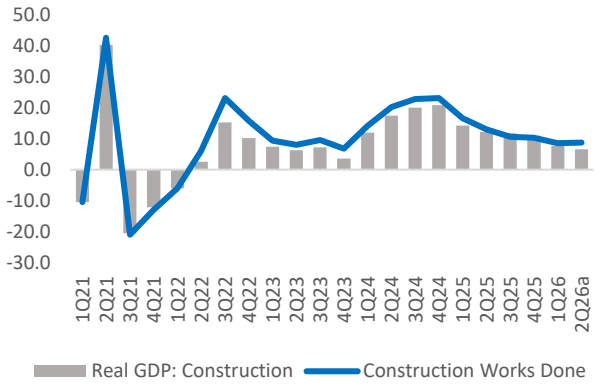
Note: Manufacturing GDP for 2QCY26 refers to advance estimate
Source: DOSM, MBSBR

Chart 6: IPI by Major Sector (YoY%)



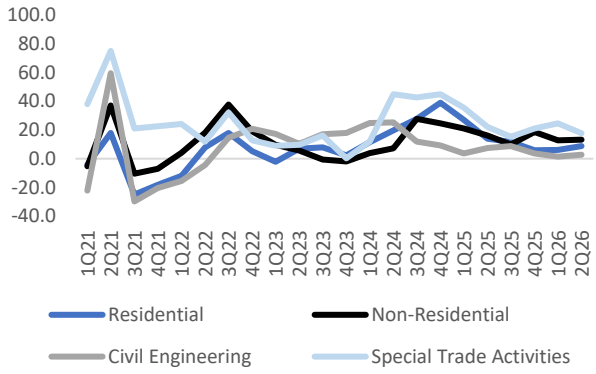
Source: DOSM, MBSBR

Chart 7: Real GDP: Construction vs. Construction Works Done (YoY%)



Note: Construction GDP for 2QCY26 refers to advance estimate
Source: DOSM, MBSBR

Chart 8: Construction Works Done by Segments (YoY%)



Source: DOSM, MBSBR

Table 1: Selected-Macroeconomic Data Updates

YoY% Unless Stated Otherwise	1Q25	2Q25	3Q25	4Q25	1Q26	2Q26
Distributive Trade (DT)	5.2	4.6	5.5	7.1	7.5	12.1
DT: Wholesale Trade	5.5	5.1	5.8	6.7	9.2	18.3
DT: Retail Trade	6.8	5.0	5.9	6.7	7.1	6.7
DT: Motor Vehicles	(1.7)	1.4	3.3	9.5	2.3	9.0
IPI	2.2	1.8	4.7	4.9	4.0	7.7
IPI: Mining	(3.0)	(5.3)	9.9	1.0	(2.9)	9.4
IPI: Manufacturing	4.2	3.9	4.0	6.0	5.7	7.4
IPI: Electricity	(3.3)	(1.9)	(0.1)	3.1	5.2	7.3
Manufacturing Sales	4.0	3.4	3.5	5.8	5.5	9.3
Gross Exports of Goods	4.5	3.6	6.9	11.2	12.6	42.4
Domestic Exports	4.6	(0.5)	(0.1)	4.8	6.4	32.4
Re-Exports	3.8	21.2	37.2	36.9	37.9	76.8
Gross Imports of Goods	2.9	9.1	0.4	11.8	7.6	25.4
Trade Balance (RM Billion)	41.3	15.3	51.1	49.1	63.2	84.0
Construction Work Done	16.6	12.9	10.6	10.3	8.5	8.8
Production of Natural Rubber	9.4	(10.8)	(11.3)	(32.3)	(25.3)	(4.7)
Manufacture of Crude Palm Oil	(6.0)	7.0	(0.9)	18.7	11.5	(7.0)
Employment	1.9	1.1	0.7	0.9	1.0	1.1
Unemployment	(5.3)	(5.6)	(5.3)	(4.2)	(3.1)	(1.6)
Unemployment Rate (%)	3.1	3.0	3.0	3.0	2.9	3.0
Headline CPI Inflation	1.5	1.3	1.3	1.4	1.6	2.0
Core CPI Inflation	1.9	1.8	2.0	2.2	2.1	2.0
USDMYR, Average	4.45	4.31	4.23	4.15	3.97	4.00
USDMYR, End-period	4.44	4.21	4.21	4.06	4.05	4.08
Brent Oil (USD per barrel), Average	74.97	66.73	68.17	63.06	78.10	96.87
CPO (RM per tonne), Average	4,724	4,056	4,271	4,181	4,139	4,519

Source: Macrobond, Bloomberg, MBSBR

MBSB RESEARCH is part of MBSB Investment Bank Berhad

(Bank Pelaburan) (A Participating Organisation of Bursa Malaysia Securities Berhad)

DISCLOSURES AND DISCLAIMER

It is for distribution only under such circumstances as may be permitted by applicable law.

Readers should be fully aware that this report is for information purposes only. The opinions contained in this report are based on information obtained or derived from sources that we believe are reliable. MBSB INVESTMENT BANK BERHAD makes no representation or warranty, expressed or implied, as to the accuracy, completeness or reliability of the information contained therein and it should not be relied upon as such.

This report is not, and should not be construed as, an offer to buy or sell any securities or other financial instruments. The analysis contained herein is based on numerous assumptions. Different assumptions could result in materially different results. All opinions and estimates are subject to change without notice. The research analysts will initiate, update and cease coverage solely at the discretion of MBSB INVESTMENT BANK BERHAD

The directors, employees and representatives of MBSB INVESTMENT BANK BERHAD may have an interest in any of the securities mentioned and may benefit from the information herein. Members of the MBSB Group and their affiliates may provide services to any company and affiliates of such companies whose securities are mentioned herein This document may not be reproduced, distributed or published in any form or for any purpose.