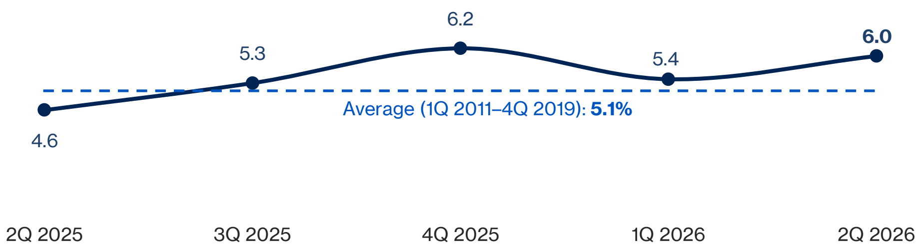
# Gross Domestic Product

## Stronger GDP growth of 6% in 2Q 2026

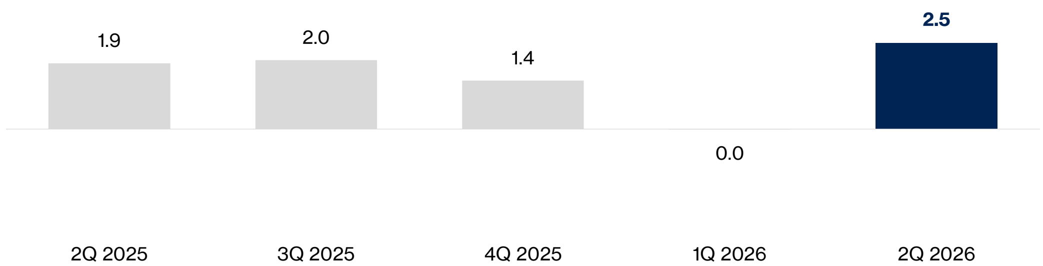
**Gross domestic product,**
Annual change, %




Source: Department of Statistics, Malaysia

## On a QoQ seasonally adjusted basis, the economy expanded by 2.5%

**Gross domestic product,**
Quarterly change, % (seasonally adjusted)




Source: Department of Statistics, Malaysia

## What are the factors supporting growth in 2Q 2026?

Stronger export growth driven by robust demand for electrical and electronics (E&E), petroleum products, tourist spending as well as information and communication technology (ICT) services

Sustained growth in household spending driven by favourable labour market, steady income growth and ongoing policy support

Continued private investment underpinned by spending on structures, as well as machinery and equipment

# Malaysia's Economic Performance

## Continued expansion in domestic demand and strong external sector performance

Annual change, %

**Private Consumption**

**4.8%**
(1Q 2026: 4.7%)

Favourable labour market, steady income growth and continued policy support

**Private Investment**

**4.3%**
(1Q 2026: 7.8%)

Continued spending in both structures and machinery & equipment

**Public Consumption**

**7.6%**
(1Q 2026: 4.1%)

Higher supplies and services together with emoluments spending

**Public Investment**

**6.3%**
(1Q 2026: 5.3%)

Higher fixed asset spending by Federal Government and public corporations

**Net Exports**

**168.5%**
(1Q 2026: 13.5%)

Robust E&E demand amid global tech expansion, coupled with base effects

Source: Department of Statistics, Malaysia

## Growth supported by services and manufacturing sectors

Annual change, %

**Services**

**5.9%**
(1Q 2026: 5.6%)

Higher growth driven by business-related services, particularly ICT amid sustained data centre demand, as well as finance and insurance subsector

**Manufacturing**

**7.3%**
(1Q 2026: 5.9%)

Robust growth driven by export-oriented clusters, particularly in E&E following strong AI-related demand

**Agriculture**

**-3.7%**
(1Q 2026: 2.6%)

Lower growth as oil palm production normalised following strong yield in 2025

**Mining**

**9.2%**
(1Q 2026: -2.1%)

Higher growth driven mainly by stronger natural gas production and base effects from maintenance activities in 2025

**Construction**

**6.5%**
(1Q 2026: 7.7%)

Modest growth supported primarily by continued special trade and non-residential activities

Source: Department of Statistics, Malaysia

# Labour Market Conditions

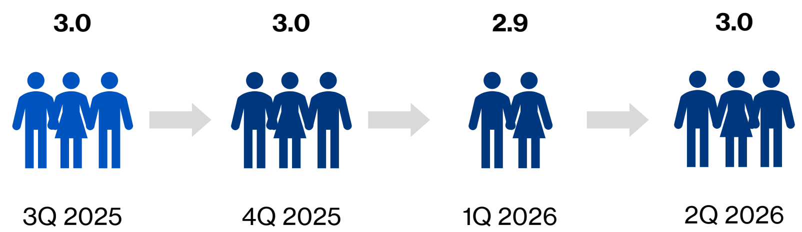
## Labour market remained favourable

- The unemployment rate stood at 3% in 2Q 2026 (1Q 2026: 2.9%, 2015-2019: 3.3%).
- Employment edged up to 16.77 million persons in 2Q 2026 (1Q 2026: 16.73 million persons) amid continued demand for labour.
- Labour supply remained forthcoming, with the labour force participation rate unchanged at 70.9% in 2Q 2026 (1Q 2026: 70.9%).

Source: Department of Statistics, Malaysia

## Low unemployment rate

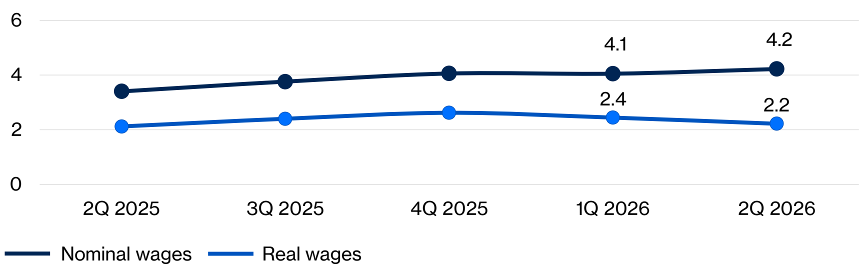
**Unemployment rate,** % of labour force




Source: Department of Statistics, Malaysia

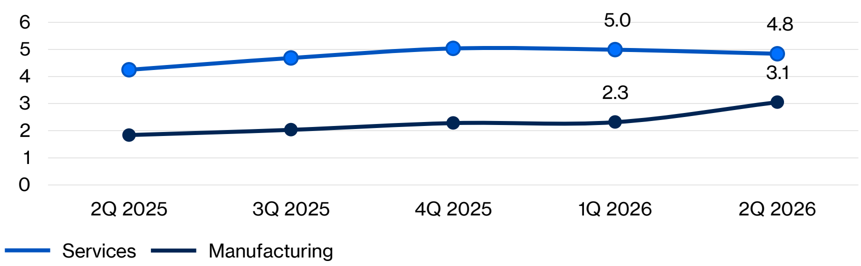
## Continued growth in private sector wages

**Private sector nominal and real wages,**
Annual change, %




Source: Department of Statistics, Malaysia and Bank Negara Malaysia estimates

**Sectoral nominal wages,**
Annual change, %



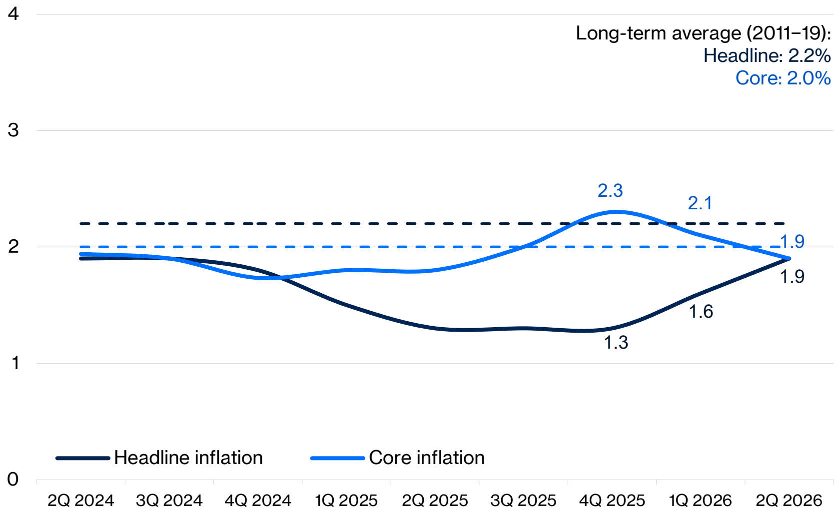

Source: Department of Statistics, Malaysia

# Inflation Trend

## Headline inflation rose while core inflation moderated

- Headline inflation increased while core inflation moderated, with both averaging 1.9% in the second quarter.
- The increase in headline inflation reflected higher external cost pressures following the Middle East conflict, particularly through higher fuel prices.[1] Meanwhile, pass-through to broader consumer prices remained limited despite higher upstream producer prices.
- In contrast, the moderation in core inflation mainly reflected softer inflation in jewellery and watches, as well as rent.

**Headline and core inflation,**
Annual change, %

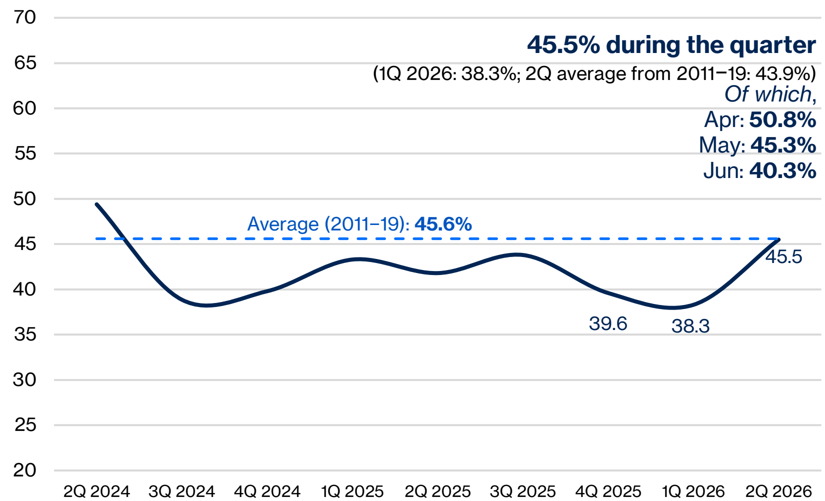



[1] In 2Q 2026, the average market prices of RON95, RON97 and diesel increased to RM3.89/litre, RM4.73/litre and RM5.14/litre respectively. Nevertheless, most Malaysian users of RON95 continued to pay the subsidised price of RM1.99/litre (up to 200 litres) under BUDI95, while eligible diesel users in Sabah and Sarawak continued to pay the subsidised price of RM2.15/litre.
Note: Core inflation is computed by excluding price-volatile and price-administered items from headline inflation.
Source: Department of Statistics, Malaysia and Bank Negara Malaysia estimates

## Inflation pervasiveness increased in the second quarter

- A larger share of CPI items registered month-on-month price increases in the second quarter, bringing pervasiveness back towards its historical average. Within the quarter, however, pervasiveness moderated from April to June.
- The increase in pervasiveness partly reflected the impact of higher external costs, but underlying price pressures remained moderate.

**CPI items recording month-on-month price increase,**
Share, %




Note: The data for 2024 onwards reflect the additional new items in the CPI basket, based on the HIES 2022.
Source: Department of Statistics, Malaysia and Bank Negara Malaysia estimates

# External Sector Development

## Higher exports growth relative to imports

**Gross Exports** **42.4%** 1Q 2026: 12.6%

Strong manufactured exports underpinned by E&E as well as the rebound in liquefied natural gas (LNG) and non-E&E manufacturing products.

**Gross Imports** **25.4%** 1Q 2026: 7.6%

Robust intermediate imports which more than offset the contraction in capital imports.

Source: Department of Statistics, Malaysia

## Continued current account surplus and a turnaround in the financial account into outflows

Current Account
**RM10.8 billion; 2% of GDP**
(1Q 2026: RM15.2 billion; 3%)

Continued surplus given

- Higher goods surplus, driven by larger manufacturing exports compared to imports.
- Narrower secondary income deficit due to stronger receipts.

Which was partially offset by

- Wider primary income deficit due to higher profits recorded by FDI firms.
- Marginal deficit in services due to higher imports of other business services amid steady travel and ICT-related receipts.

Financial Account
**Net outflows RM27 billion**
(1Q 2026: Net inflows RM27.4 billion)

Net outflows in

- Portfolio investments, driven mainly by acquisition of equity securities abroad by residents and liquidation of domestic equity securities by non-residents.

Which more than offsets

- Net inflows in direct investments, supported by net foreign direct investment (FDI) inflows.
- Net inflows in other investments, driven mainly by higher interbank borrowings by residents.

Source: Department of Statistics, Malaysia and Bank Negara Malaysia

## Higher external debt

**RM1.51 trillion or 71.6% of GDP**
(1Q 2026: RM1.44 trillion or 70.1% of GDP)

- Higher interbank borrowings, reflecting liquidity management operations and regional financial centre activities.
- Higher trade credits by corporates.

**External debt remained manageable**
% of total external debt

Currency

**Ringgit-denominated: 31.5%**
Unaffected by ringgit exchange rate fluctuations.

**FCY-denominated: 68.5%**
Of which 52.2% is subject to BNM's prudential and regulatory requirements and 20% are due to intercompany loans.

Maturity

**Medium- and long-term: 55.7%**
Limited rollover risks.

| | |
|---|---|
| **Net International Investment Position** | **RM68.3 billion** (1Q 2026: -RM67.8 billion) |
| **International Reserves[2]** | **USD132.1 billion** (1Q 2026: USD126.6 billion) |

[2] As of 31 July 2026.
Source: Ministry of Finance, Malaysia, Department of Statistics, Malaysia and Bank Negara Malaysia