Global Economic Outlook

Global growth outlook expected to remain resilient for the rest of 2026 before recovering in 2027

Global economy:

- Global growth is projected to remain resilient for the remainder of the year despite uncertainties surrounding the Middle East conflict and higher inflationary pressures that would weigh on growth.
- Going forward, the drag will be cushioned by strong global tech expansion, continued adaptation to supply disruptions and supportive policy measures.
- Global growth is expected to improve in 2027, supported by continued AI-related investment and recovery in global energy markets.

Global trade:

- Global trade growth is projected to remain robust for the remainder of the year, supported by strong technology-related demand, particularly AI-related components.
- Ongoing adaptation to supply disruptions are expected to support trade flows, despite continued uncertainties surrounding the Middle East conflict.
- For 2027, global trade growth will remain supported by continued technology-related demand and ongoing trade reconfiguration.

Balance of risks to global growth remains tilted to the downside

- **Balance of risks remains tilted to the downside**, reflecting mainly continued uncertainties surrounding the Middle East conflict.
- **Downside risks** to growth could also arise from tighter global financial conditions due to tighter monetary policy, concerns over valuations in financial markets and fiscal vulnerabilities.
- **Upside potential** would stem from faster-than-expected recovery in supply chain conditions and stronger tech spending.

Domestic Economic Outlook

Growth to be driven by robust exports and resilient domestic demand

- The solid growth momentum in the first three quarter of the year is expected to bring 2026 growth to above 5%. Looking ahead into 2027, growth is expected to range 4.2% to 5.2%.
- Export growth will continue to be supported by robust demand for tech-related products amid AI-driven global tech upcycle as well as favourable outlook for travel receipts.
- Household spending is expected to remain resilient, supported by favourable labour market condition, steady income growth and continued policy support
- The expansion in investment activity will be driven by the progress of multi-year projects in both the private and public sectors and the continued high realisation of approved investments.
- Budget 2027 measures will provide further impetus to economic activity in 2027 through measures to support household incomes, including cash transfers, reduction in income tax rates, revision to minimum wage, alongside higher funding allocations to strategic sectors.

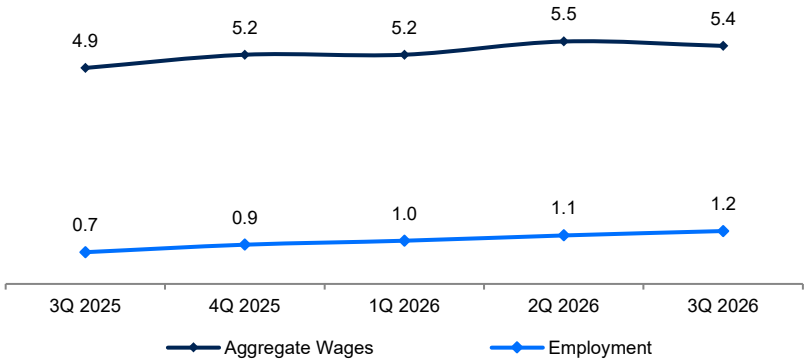
Domestic fundamentals continue to underpin economic resilience against external uncertainties

- **The domestic economy continues to be supported by resilient fundamentals.** The outlook, however, is subject to uncertainties stemming mainly from heightened global developments.
- **Downside risks to growth outlook** include a prolonged conflict in the Middle East and lower commodity production.
- **Upside potential to growth outlook** could arise from better-than-expected global growth, stronger technology-related export demand and higher tourism activity

Domestic Demand Conditions

Household spending will be driven by steady income growth and continued policy measures

Nominal aggregate wages[7] and employment
Annual change, %

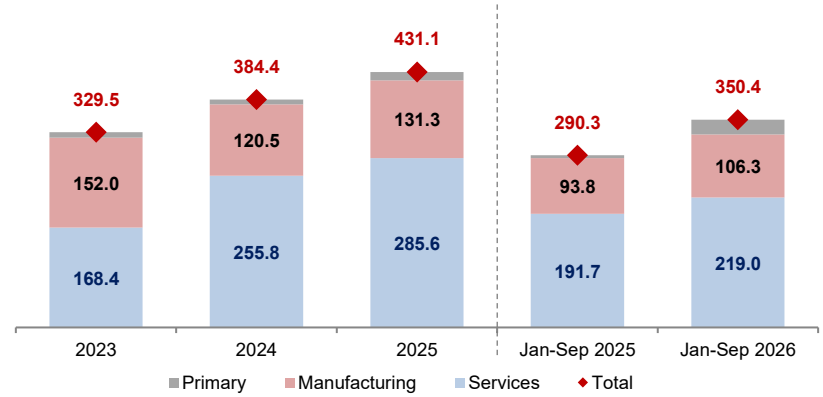


- **Private consumption is expected to expand,** supported by continued income growth and policy measures.
- Income growth will be supported by favourable labour market conditions and wage-enhancing measures, including the higher minimum wage and the introduction of wage floor for semi-skilled workers and graduates.
- Additionally, higher cash transfers through Sumbangan Tunai Rahmah (STR) and Sumbangan Asas Rahmah (SARA) initiatives would provide a lift to household spending.
- The BUDI95 subsidy will also help limit the pressure from higher oil prices to household spending.

[7] Refers to private and public sector wages. Private sector wages are derived from the salaries and wages data published in the Monthly Manufacturing Statistics and Quarterly Services Statistics. Public sector wages refers to the salaries paid to civil servants.
Source: Department of Statistics, Malaysia

Investment activities remain forthcoming, supported by a steady pipeline of new projects across sectors

MIDA Investment Approvals by Sectors
RM billion



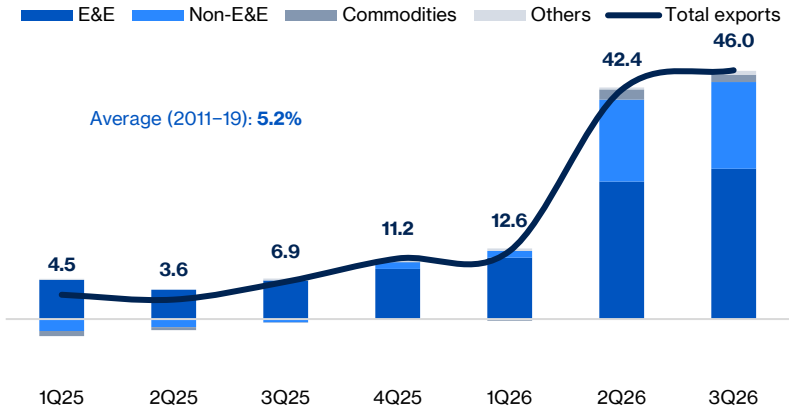
- **Investment activities remain forthcoming,** with higher investment approvals recorded from Jan-Sep 2026 at RM350.4 billion, compared to RM290.3 billion during the same period in 2025. 87.4% of manufacturing projects approved between 2021 and September 2026 are now in various phases of implementation.
- Services and manufacturing remain the key sources of new projects with concentration mainly in high-technology subsectors such as ICT, E&E and petroleum products. Within ICT, data centre and cloud computing investments remain a key contributor, accounting for 35.2% of the total approved investments from Jan-Sep 2026.
- Meanwhile, the manufacturing sector continued to be led by investments in E&E and petroleum products, alongside strong growth in M&E and food manufacturing investments.

Source: MIDA

External Demand Conditions

Goods exports outlook to remain robust owing to global tech demand and AI investments

Gross exports growth
Annual change and contribution to growth, % and ppt

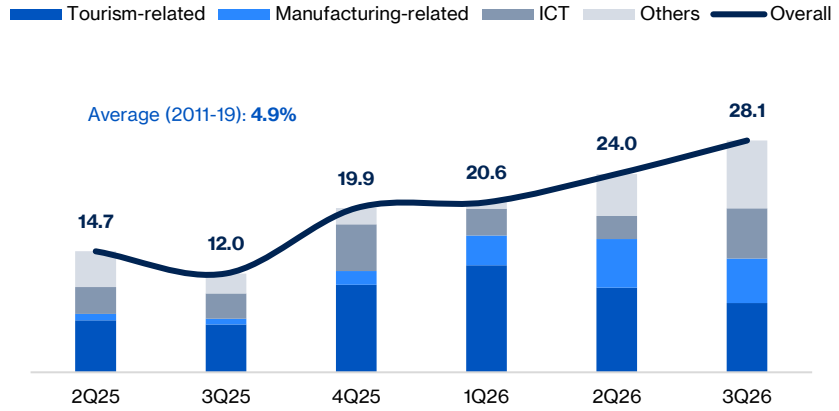


- **E&E exports are expected to remain supported by the global technology upcycle** and continued investment in AI-related activities.
- Non-E&E manufacturing exports are projected to benefit from sustained tech-related demand, while commodity-related exports are likely to be supported by favourable commodity prices.
- However, tech-related exports remain subject to downside risk from financial volatility affecting AI-related investments, should the anticipated returns fall short of expectations.

Source: Department of Statistics, Malaysia

Services exports expected to remain resilient, supported by diverse export base

Services receipts growth[8]
Annual change and contribution to growth, % and ppt



- **The outlook for travel receipts remains favourable,** underpinned by higher spending per tourist and continued growth in arrivals from key source markets. Nevertheless, renewed geopolitical tensions could pose risks to global travel activity and tourism demand.
- **Growth in other services, including exports of ICT services is expected to be supported by spillovers** from data centre-related activities, although expansion is likely to remain moderate.

[8] Tourism-related includes travel & transportation services. Manufacturing services include services on physical inputs owned by others and maintenance and repair services. Other services include other business services, personal, cultural, recreational, insurance and financial services.
Source: Department of Statistics, Malaysia

Inflation Outlook

Inflation is expected to trend higher but remain contained in 2026 and 2027

- Headline and core inflation are expected to remain moderate for the remainder of 2026. Based on the Ministry of Finance's Economic Outlook 2027, headline inflation is projected to average between 1.5%–2.5% in 2026, in line with earlier expectations.
- Headline inflation is expected to rise gradually towards year-end, partly reflecting the delayed pass-through of higher input costs. Nevertheless, the impact on domestic inflation is expected to be mitigated by policy measures, including targeted fuel subsidies, alongside stable demand conditions and continued adjustments by firms to manage cost pressures.
- Heading into 2027, inflation is expected to be firmer in the early part of the year, reflecting carry-over effects, delayed cost pass-through and underlying services price pressures.[1] While upcoming policy measures supporting domestic demand[2] and adverse weather conditions could contribute to price pressures, the impact on inflation is expected to remain contained, amid moderate underlying inflation pressures.

[1] Based on the Ministry of Finance's Economic Outlook 2027, headline inflation is projected to average between 1.8% - 2.8% for 2027.
[2] For example, the minimum wage adjustment in June 2027.

Risks to the inflation outlook remain largely contingent on evolving external developments

- The balance of risks to the inflation outlook remains tilted to the upside, primarily depending on developments surrounding the Middle East conflict.
    - **Upside risks** to commodity prices may arise from renewed geopolitical tensions and broader global supply pressures, including from weather-related disruptions. A potentially stronger El Niño episode could pose greater risks to domestic and regional food production and raise prices, particularly of fresh food. Nevertheless, improved preparedness and mitigation measures could help cushion the overall impact on consumer prices. Meanwhile, potential adjustments to administered prices, utility charges and subsidies could also affect inflation.
    - **Downside risks** could stem from weaker-than-expected global growth and trade activity, which could weigh on domestic demand. A faster moderation in global oil and food prices, alongside further improvements in supply conditions, could also ease external cost pressures.

Box Article

Promoting Two-Way Investment Flows through the Qualified Resident Investor (QRI) programme

Summary

- **Malaysia's stock of overseas investments has expanded significantly, with direct investment abroad (DIA) increasing more than eight-fold from RM94 billion in 2005 to RM778 billion in 2025.** However, only about half of overseas earnings have been repatriated on average since 2015, limiting the transmission of benefits to the domestic economy.
- **Qualified Resident Investor (QRI) programme encourages more systematic repatriation and conversion of overseas earnings, while preserving the flexibility to reinvest abroad.** Repatriated investment income rose 36% between 2023 and 2025, with QRI inflows exceeding USD2.5 billion (or RM10.2 billion equivalent) as at 1H 2026.
- **By supporting more balanced two-way flows, QRI strengthens domestic liquidity, foreign exchange (FX) market depth and external sector resilience.** This article outlines its rationale, implementation and early outcomes.

Harnessing Malaysia's External Asset Growth for Greater Domestic Benefits

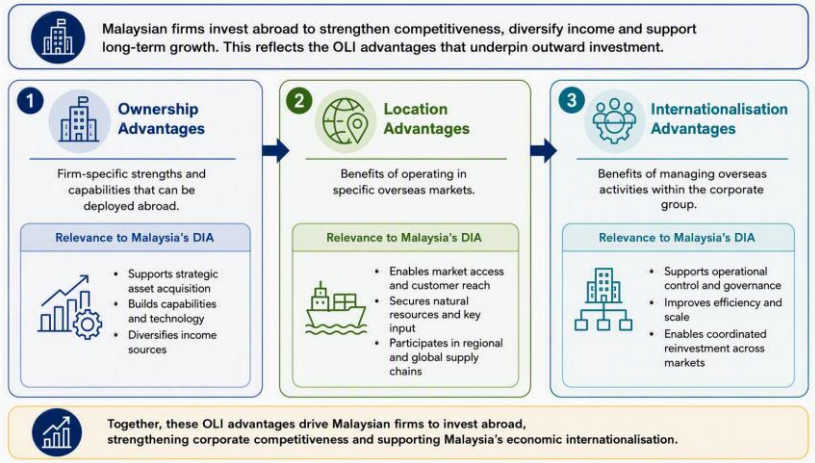
Over the past two decades, Malaysian corporates have expanded their international footprint significantly. As businesses mature and regional integration deepens, domestic firms increasingly invest abroad to access new markets, secure strategic resources, diversify income streams and strengthen their position within regional and global value chains. This development was also supported by an enabling and progressively liberalised foreign exchange policy (FEP) framework.[1]

[1] Since 2007, the foreign exchange policy has been progressively liberalised, including allowing domestic corporates to invest abroad or obtain foreign currency borrowing from licensed onshore banks in Malaysia for direct investment abroad purposes.

[2] The 5.2% represents the compound annual growth rate (CAGR) of the DIA income yield from 2005 to 2025, reflecting the annualised rate of return over the 20-year period.

Malaysian corporates have built a large stock of external assets. DIA stock grew rapidly from RM94.4 billion in 2005 to RM778.4 billion in 2025, equivalent to an annual average growth rate of 11%. This growing external asset base has also generated positive returns, with this outward investment recording an average return of 5.2%[2] during 2005–25. DIA is concentrated in sectors where Malaysian firms have developed competitive advantages, including financial services, mining, agriculture, and information and communication services. This trend enables internationalisation of Malaysian businesses and supports long-term corporate competitiveness. Figure 1 summarises the key motivations for Malaysian outward investment and how they relate to Malaysia's DIA experience.

Figure 1: Why Malaysian Firms Invest Abroad – An OLI Perspective



Note: OLI refers to ownership, location and internationalisation advantages under Dunning's eclectic paradigm, adapted here to summarise key outward investment motivations relevant to Malaysia's DIA experience.

Box Article

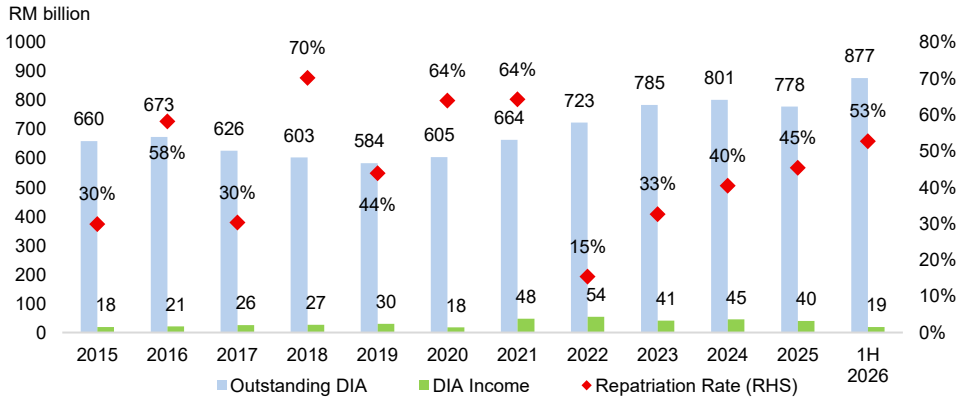
Promoting Two-Way Investment Flows through the Qualified Resident Investor (QRI) programme

However, the economic benefits of outward investment are not determined solely by the scale of investments abroad. Equally important is how the returns generated from these investments are channelled back to the domestic economy. Between 2015 and 1H 2026, RM387 billion income has been generated by these investment, with an average repatriation rate of only around 46%, implying that more than half was retained abroad.

Corporates' retention of earnings abroad is often driven by commercial and operational needs. Overseas subsidiaries often require funding for business expansion, project development, debt servicing and working capital needs. Earnings may also be retained to support future acquisitions or reinvestment opportunities in foreign markets.

Notwithstanding the above, more regular repatriation can increase the domestic benefits from Malaysia's growing external assets. Repatriation offers an immediate channel for overseas earnings to support domestic liquidity, investment and external sector resilience. At the same time, corporates can utilise repatriated earnings to fund domestic capital expenditure, dividends, debt servicing and working capital. Together, these channels support the case for more regular and sustainable repatriation of overseas earnings.

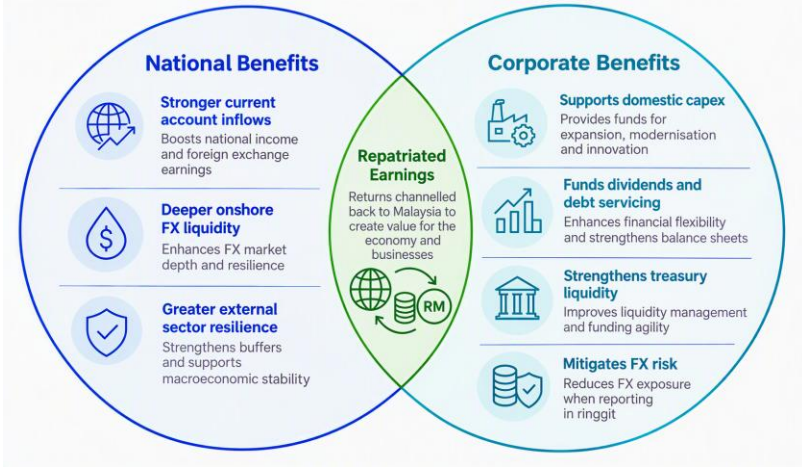
Figure 2: Malaysia's DIA Stock, Income and Repatriation Ratio, 2015–1H 2026



Key takeaway: Malaysia's growing stock of external assets continues to generate positive returns. However, earnings repatriation has remained moderate, suggesting room to strengthen the domestic transmission of these returns.

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

Figure 3: Benefits of Regular Corporate Earnings Repatriation



Box Article

Promoting Two-Way Investment Flows through the Qualified Resident Investor (QRI) programme

QRI: Encouraging Repatriation and Conversion While Preserving Investment Flexibility

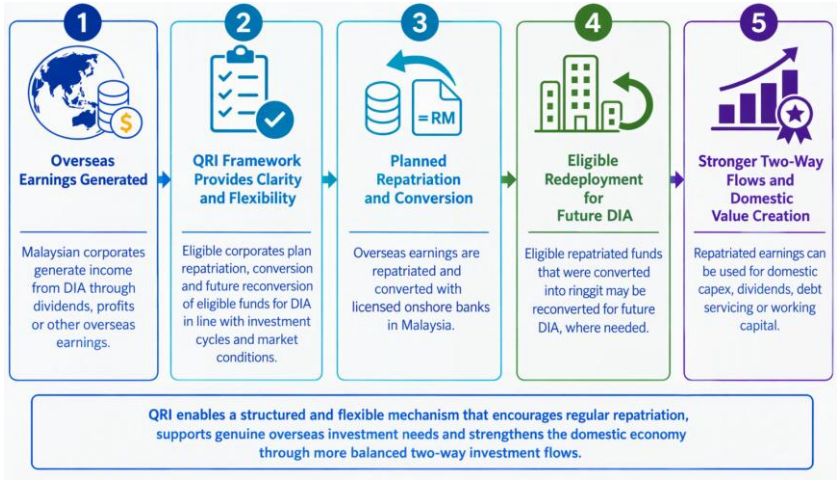
Recognising the importance of balanced two-way capital flows in supporting orderly FX market conditions, Bank Negara Malaysia (BNM) introduced the QRI programme. The QRI programme translates the policy objective of more regular income repatriation into a practical framework for domestic corporates. The programme is designed to encourage domestic corporates with significant overseas operations to incorporate repatriation into their treasury and liquidity management practices. Importantly, QRI does not restrict outward investment. Instead, it provides a structured pathway for corporates to repatriate and convert overseas earnings onshore, while allowing eligible funds to be freely redeployed abroad later for genuine investment needs.

The programme was initially introduced as a pilot in 2024. Feedback from participating corporates provided valuable insights into operational requirements and implementation challenges, enabling refinements to the framework before its broader rollout in June 2025. The programme currently lasts until 30 June 2028.

A key feature of the programme is that it combines structured repatriation planning with operational flexibility. As summarised in Figure 4, the QRI mechanism links overseas earnings generation with planned repatriation, conversion and eligible reconversion.

This design reflects the reality that modern multinational corporations manage funding needs across multiple jurisdictions and business cycles. It also supports more predictable investment income inflows and improves onshore FX market liquidity, while preserving flexibility for genuine overseas investment needs.

Figure 4: QRI Mechanism at a Glance



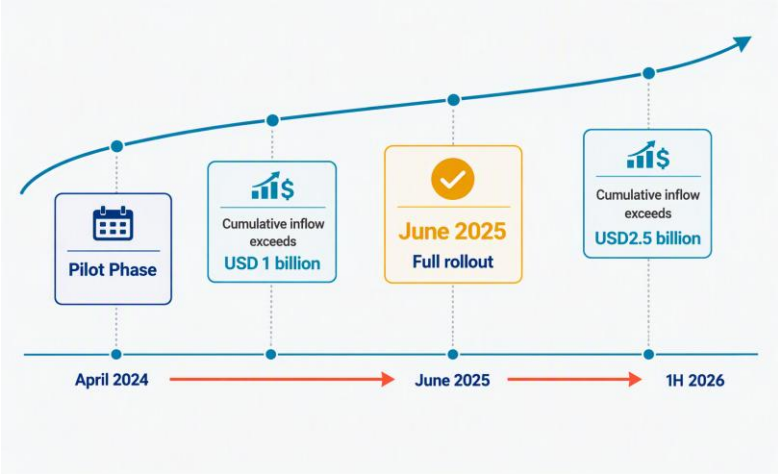
A key strength of the framework is that it aligns policy objectives with commercial realities. By providing a clear and predictable mechanism for repatriation and eligible reinvestment abroad, QRI encourages behavioural change without imposing undue restrictions on corporate investment decisions.[3]

[3] Previously, repatriated income converted into ringgit would be subject to the prevailing prudential threshold under the foreign exchange policy if subsequently used for reinvestment abroad. Under the QRI programme, this approval requirement has been removed, thereby reducing administrative friction for QRI status corporates.

Box Article

Promoting Two-Way Investment Flows through the Qualified Resident Investor (QRI) programme

Figure 5: Key Milestones of the QRI Programme



Early Outcomes Point to Stronger Repatriation Momentum

The initial results of QRI are encouraging. Income repatriation by Malaysian corporates increased by 36% or RM4.8 billion from 2023 to 2025, while cumulative inflows under QRI exceeded USD2.5 billion (or RM10.2 billion equivalent) as at 1H 2026. This improvement occurred even as outstanding DIA moderated in 2025, suggesting that higher inflows may reflect more active repatriation behaviour, rather than merely a larger stock of external assets.

Corporates are also beginning to integrate repatriation, conversion and potential reconversion into medium-term treasury and investment planning. This is an important early signal that repatriation may be shifting from an ad hoc decision to a more regular part of corporate funds management.

The improvement in inflows should nevertheless be viewed alongside broader corporate and market factors. Repatriation decisions remain influenced by funding needs, investment plans, exchange rate expectations and external conditions. The improving ringgit environment and stronger domestic FX market liquidity in recent years have likely complemented the programme by reducing uncertainties associated with converting foreign currency earnings into ringgit. This is also part of BNM's broader coordinated efforts to encourage repatriation and conversion of foreign income proceeds to further improve onshore FX liquidity.

Overall, the early outcomes suggest that QRI has helped create a more structured and credible channel for bringing overseas earnings back into the domestic economy. Sustaining this momentum will depend on continued corporate participation, supportive market conditions and deeper integration of repatriation into corporate funds management.

Promoting Two-Way Investment Flows through the Qualified Resident Investor (QRI) programme

Conclusion

The QRI programme represents more than a repatriation initiative. It is part of a broader effort to strengthen the link between Malaysia's growing external asset base and the domestic economy.

As Malaysian firms continue to expand internationally, outward investment will remain an important source of long-term growth, diversification and competitiveness. QRI helps ensure that part of these overseas returns is continuously channelled back into Malaysia, strengthening domestic liquidity, FX market depth and external sector resilience.

Moving forward, QRI can serve as a practical and effective programme to sustain repatriation momentum and support more balanced two-way capital flows. In recognition of the programme's positive outcomes since its rollout, BNM will explore further enhancements to the QRI programme, expanding foreign exchange policy flexibilities for eligible domestic corporates while maintaining incentives for the repatriation of foreign currency funds.

Further refinements could strengthen incentives for regular repatriation, deepen corporate participation and support more predictable investment income inflows. Over time, this would position QRI not only as a repatriation tool, but also as a durable framework that supports corporate internationalisation and Malaysia's broader macro-financial resilience.

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