

20 July 2026

Malaysia 2Q26 Advance GDP

Growth surges to 5.8%, but momentum set to fade in 2H26

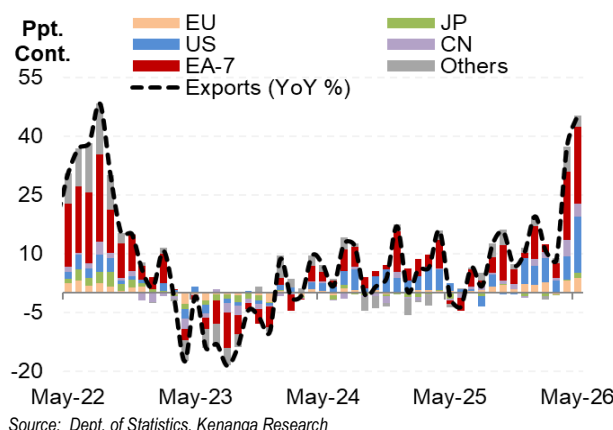
- The Department of Statistics (DOSM) advance estimate showed growth accelerated to 5.8% in 2Q26 (1Q26: 5.4%),** slightly above our forecast of 5.7% and well above Bloomberg's consensus of 5.2%.
 - On a seasonally adjusted QoQ basis, growth rebounded 1.7% (1Q26: -4.4%) signalling a strong recovery in economic activity. DOSM will release the official 2Q26 GDP figures, including detailed demand and supply breakdowns, on 14 August.
- Manufacturing and mining drove stronger 2Q26 growth**
 - Manufacturing** (7.5%; 1Q26: 5.9%): Accelerated sharply, led by export-oriented industries, particularly electrical, electronic & optical products and petroleum, chemicals, rubber & plastics products.
 - Mining and quarrying** (10.2%; 1Q26: -2.1%): Rebounded sharply on higher natural gas production.
 - Services** (5.4%; 1Q26: 5.6%): Growth eased but stayed supported by wholesale & retail trade, information & communication, and transportation & storage.
 - Construction** (6.6%; 1Q26: 7.7%): Moderated, though non-residential buildings sub-sector, especially data centre construction projects and specialised construction work, provided support.
 - Agriculture** (-3.7%; 1Q26: 2.6%): Contracted on weaker palm oil and rubber output, partially offset by growth in livestock and other agriculture.
- We maintain our 2Q26 GDP growth forecast at 5.7% and full year 2026 GDP forecast at 4.5%-5.0%**
 - Drivers:** Domestic demand is expected to increasingly anchor growth in 2H26, supported by services activity, AI-related investment, data centre development, continued implementation of approved investments, rising household incomes, and low unemployment. We expect BNM to keep OPR unchanged through 2026, so monetary conditions should remain supportive of consumption and investment. Manufacturing is expected to stay resilient, underpinned by E&E demand linked to AI and data centre expansion, though growth may moderate in 2H26 as front-loading activity unwinds. Tourism offers upside potential too: visitor arrivals in the first five months of the year undershot expectations, leaving room for a stronger recovery as the Visit Malaysia 2026 campaign gathers pace and lower fuel prices support travel demand.
 - Risks:** External risks continue to dominate the outlook. The fragile US-Iran ceasefire leaves oil prices exposed to renewed volatility, posing risks to inflation and external demand. Uncertainty over US tariff policy adds downside risk to exports, while the normalisation of front-loading activity is likely to soften trade and manufacturing momentum in 2H26. El Niño-related weather disruptions also pose risks to agricultural output and food prices. Domestically, risks remain manageable but have edged higher amid evolving political developments. Subsidy rationalisation has produced limited inflationary pressure so far, and most consumers continue to benefit from targeted fuel assistance under the BUDI95 programme.
 - Outlook:** Against this backdrop, we maintain our 2026 GDP forecast at 4.5%-5.0%, with a bias toward the upper end of the range following stronger 1H26 growth. We still expect growth to moderate in 2H26 as temporary tailwinds fade, including the unwinding of front-loading activity, softer trade momentum, and less favourable base effects. Overall, we remain cautiously optimistic, with resilient domestic demand expected to offset part of the persistent external headwinds.

Table 1: Malaysia GDP Growth (constant 2015 prices)

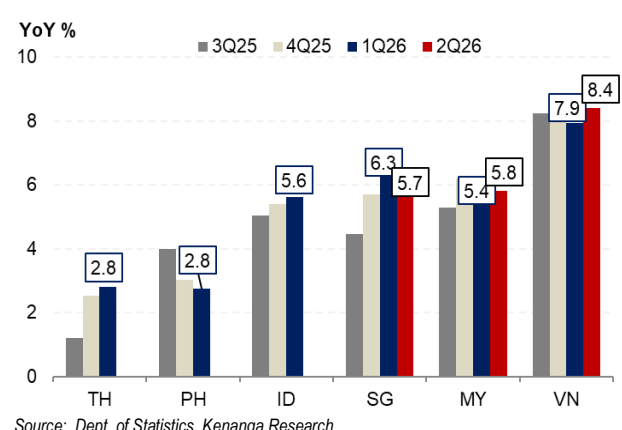
YoY %	4Q25	1Q26	DOSM 2Q26E	KIBB 2Q26F
By Sector				
Agriculture	5.7	2.6	-3.7	-2.3
Mining	1.4	-2.1	10.2	10.5
Manufacturing	6.0	5.9	7.5	6.9
Construction	10.9	7.7	6.6	6.0
Services	6.2	5.6	5.4	5.5
Real GDP	6.2	5.4	5.8	5.7

Source: DoSM, BNM, MoF, Kenanga Research. E: advance estimate

Graph 1: Exports by Destination (ppt contribution)



Graph 2: ASEAN-5 (+VN) GDP Growth



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Table 2: Malaysia GDP Growth (constant 2015 prices)

YoY %	2023	2024	1Q25	2Q25	3Q25	4Q25	1H25	2H25	2025	1Q26	Kenanga	
											2Q26	2026F
By Sector												
Agriculture	0.4	3.4	0.7	2.5	0.2	5.7	1.6	2.8	2.2	2.6	-2.3	0.3
Mining	0.5	1.2	-2.6	-5.2	9.4	1.4	-3.8	5.1	0.6	-2.1	10.5	0.6
Manufacturing	0.7	4.2	4.2	3.7	4.1	6.0	3.9	5.1	4.5	5.9	6.9	4.9
Construction	5.9	17.6	14.2	12.1	11.7	10.9	13.1	11.3	12.2	7.7	6.0	6.3
Services	5.2	5.4	5.1	5.1	5.3	6.2	5.1	5.7	5.4	5.6	5.5	5.1
Real GDP	3.6	5.2	4.4	4.6	5.3	6.2	4.5	5.7	5.2	5.4	5.7	4.5-5.0
By Expenditure												
Consumption	4.5	4.8	4.5	5.2	5.8	5.8	4.8	5.8	5.3	4.6	5.0	5.2
Public	4.3	4.6	2.7	5.7	5.8	6.6	4.2	6.2	5.3	4.1	5.0	5.0
Private	4.6	4.8	4.8	5.1	5.8	5.6	5.0	5.7	5.3	4.7	5.0	5.2
Investment	5.4	12.1	9.6	12.0	7.4	9.3	10.9	8.4	9.6	7.3	7.6	8.3
Public	8.5	11.1	11.6	13.5	7.5	9.5	12.5	8.8	10.3	5.3	5.7	7.4
Private	4.5	12.4	9.1	11.7	7.4	9.2	10.5	8.2	9.4	7.8	8.0	8.6
Public Spending	5.4	6.2	4.9	7.5	6.2	7.5	6.2	7.0	6.6	4.4	5.2	5.7
Private Spending	4.6	6.3	5.8	6.7	6.2	6.3	6.2	6.2	6.2	5.4	5.7	6.0
Aggregate Demand	4.7	6.3	5.6	6.8	6.2	6.6	6.2	6.4	6.3	5.2	5.6	5.9
Exports	-7.9	8.6	4.3	4.5	4.6	6.3	4.4	5.5	4.9	5.2	9.2	5.2
Imports	-6.8	8.7	5.2	7.9	3.0	9.0	6.6	6.0	6.3	4.6	5.0	4.2
Net Exports	-22.2	6.7	-7.9	-58.3	32.2	-32.9	-29.0	-2.7	-15.6	13.5	210.5	25.7
Real GDP	3.6	5.2	4.4	4.6	5.3	6.2	4.5	5.7	5.2	5.4	5.7	4.5-5.0

Source: DoSM, BNM, MoF, Kenanga Research

For further information, please contact:

Wan Suhaimie Wan Mohd Saidie
Head of Economic Research
wansuhaimi@kenanga.com.my

Muhammad Saifuddin Sapuan
Economist
saifuddin.sapuan@kenanga.com.my

Afiq Asyraf Syazwan Abd. Rahim
Economist
afiqasyraf@kenanga.com.my

Nurul Hanees Hairulkama
Economist
nurulhanees@kenanga.com.my

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KENANGA INVESTMENT BANK BERHAD (15678-H)

Level 17, Kenanga Tower, 237, Jalan Tun Razak, 50400 Kuala Lumpur, Malaysia

Telephone: (603) 2172 0880 Website: www.kenanga.com.my E-mail: research@kenanga.com.my