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2025 GDP Growth	**+5.2%**
2026 GDP Growth Forecast:	**+5.0%**
2025 Export Growth:	**+6.4%**
2026 Export Growth Forecast:	**+16.3%**
2025 Unemployment Rate	**3.0%**
2026 Unemployment Rate Forecast:	**3.0%**
2025 Headline Inflation:	**+1.4%**
2026 Headline Inflation Forecast:	**+2.0%**
End-2025 OPR	**2.75%**
End-2026 OPR Forecast:	**2.75%**

Malaysia 2Q26 Advance GDP Estimate

Positive surprise defies geopolitical concerns

- **Malaysia's economy expanded +5.8% YoY in 2Q26 (1Q26: +5.4%), exceeding consensus of +5.2%, driven by mining and manufacturing.**
- **Going forward, manufacturing will be underpinned by sustained demand for E&E products, while services should remain supported by resilient domestic demand.**
- **Nevertheless, we expect growth to moderate in 2H26, with sectoral performance likely to remain uneven as the lagged impacts of supply disruptions become more evident.**
- **We revise our 2026 GDP growth forecast upward to +5.0% (previously +4.7%), the upper end of BNM's 4.0%-5.0% projection range.**
- **For 2027, we project preliminary GDP growth of +4.5%, reflecting more moderate macroeconomic conditions.**

2Q26 GDP surprised on the upside

Malaysia's economy expanded +5.8% YoY in 2Q26 (1Q26: +5.4%), according to the advance GDP estimate released by the Department of Statistics Malaysia (DoSM), exceeding Bloomberg consensus of +5.2%. The stronger-than-expected performance came despite supply disruptions stemming from the Middle East conflict. The final 2Q26 GDP data, due on 14 August, will provide more details on the expenditure breakdown.

Strength in mining and manufacturing

The stronger-than-expected performance was driven by a sharp rebound in mining and firmer manufacturing, lifting overall growth momentum. Mining rebounded to +10.2% (1Q26: -2.1%), contributing 0.5 ppts to headline GDP growth (1Q26: -0.1 ppt), supported by stronger natural gas production. Manufacturing accelerated to +7.5% (1Q26: +5.9%), reflecting sustained growth in E&E output amid the ongoing technology upcycle.

Elsewhere, sectoral performance was mixed. Services remained the main growth anchor (+5.4%; 1Q26: +5.6%), supported by wholesale & retail trade, signalling resilient consumer spending. Construction moderated for the sixth consecutive quarter (+6.6%; 1Q26: +7.7%), likely reflecting the near completion of some infrastructure projects. Meanwhile, agriculture contracted (-3.7%; 1Q26: +2.6%) due to weaker oil palm output.

Rising headwinds in 2H26

The stronger 2Q26 GDP print came as a positive surprise, suggesting that supply disruptions had a limited impact during the early phase of the Middle East conflict. Going forward, we **remain particularly positive on the manufacturing outlook**, underpinned by sustained AI-driven demand for E&E products. Meanwhile, services should remain supported by resilient domestic demand amid contained inflation.

Nevertheless, we expect growth momentum to moderate in 2H26, with **sectoral performance likely to remain uneven as the lagged impacts of supply disruptions become more evident**. Manufacturing may face headwinds as stockpiling activity unwinds and input costs remain elevated. Construction could also soften further amid slower public investment spending due to fiscal constraints, alongside rising material and logistics costs. Cost pressures have built up, with the PPI rising for the third consecutive month to +7.8% YoY in May (Apr: +5.4%).

Revised up 2026 growth forecast

Following the stronger-than-expected 1H26 growth of +5.6% YoY, we expect GDP growth to moderate to +4.5% in 2H26, reflecting the lagged impacts of supply disruptions and the high base from last year's strong 2H26 performance. We **revise our 2026 GDP growth forecast upwards to +5.0%** (previously +4.7%), the upper end of BNM’s 4.0%-5.0% projection range. Nevertheless, downside risks remain given fluid geopolitical developments in the Middle East.

For 2027, we project preliminary GDP growth of +4.5%, reflecting more moderate macroeconomic conditions. Domestic demand is expected to ease amid a more challenging business environment, while external risks remain. In addition, El Niño could begin to weigh on oil palm output in 1H26, exerting downward pressure on the agriculture sector.

Table 1: GDP by Production Approach

	% share	% YoY						
	2025	2024	2025	2Q25	3Q25	4Q25	1Q26	2Q26A
GDP	100	5.2	5.2	4.6	5.3	6.2	5.4	5.8
Agriculture	6.1	3.4	2.2	2.5	0.2	5.7	2.6	-3.7
Mining	5.7	1.2	0.6	-5.2	9.4	1.4	-2.1	10.2
Manufacturing	23.0	4.2	4.5	3.7	4.1	6.0	5.9	7.5
Construction	4.3	17.6	12.2	12.1	11.7	10.9	7.7	6.6
Services	59.5	5.4	5.4	5.1	5.3	6.2	5.6	5.4

Source: Department of Statistics, Apex Securities

Recommendation Framework:
BUY: Total returns* are expected to exceed 10% within the next 12 months.
HOLD: Total returns* are expected to be within +10% to – 10% within the next 12 months.
SELL: Total returns* are expected to be below -10% within the next 12 months.
TRADING BUY: Total returns* are expected to exceed 10% within the next 3 months.
TRADING SELL: Total returns* are expected to be below -10% within the next 3 months.
*Capital gain + dividend yield

Sector Recommendations:
OVERWEIGHT: The industry defined by the analyst is expected to exceed 10% within the next 12 months.
NEUTRAL: The industry defined by the analyst is expected to be within +10% to – 10% within the next 12 months.
UNDERWEIGHT: The industry defined by the analyst, is expected to be below -10% within the next 12 months.

ESG Rating Framework:
★★★★★ : Appraised with 3% premium to fundamental fair value
★★★★ : Appraised with 1% premium to fundamental fair value
★★★ : Appraised with 0% premium/discount to fundamental fair value
★★ : Appraised with -1% discount to fundamental fair value
★ : Appraised with -5% discount to fundamental fair value

As of **Monday, 20 Jul, 2026**, the analyst(s), whose name(s) appears on the front page, who prepared this report, has interest in the following securities covered in this report:
(a) nil.