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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 GDP

Still going strong, but risks loom

- **Malaysia's GDP expanded by +6.0% YoY in 2Q26 (1Q26: +5.4%), exceeding the advance estimate of +5.8%, driven by a surge in net exports.**
- **Given the robust current account performance in 1H26, we raise our 2026 current account surplus projection to +2.0% of GDP (previously +1.5%).**
- **We maintain our 2026 GDP growth forecast at +5.0% YoY, with the balance of risks tilted to the upside following the stronger-than-expected 2Q26 growth.**
- **Our 2026 GDP forecast implies growth moderating to +4.4% in 2H26, reflecting an unfavourable base effect and rising headwinds.**
- **We believe BNM will likely assess the rising headwinds in 2H26, keeping the OPR on hold at 2.75% through 2026.**

Positive surprise for 2Q26 growth

Malaysia's GDP expanded by +6.0% YoY in 2Q26 (1Q26: +5.4%), exceeding the advance estimate and Bloomberg consensus of +5.8%. The solid performance came despite concerns over supply chain disruptions and heightened cost pressures following the Middle East tensions. On a seasonally adjusted basis, GDP rebounded to +2.5% QoQ (1Q26: -0.03%), the strongest sequential growth since 2Q22, suggesting a pickup in underlying growth momentum.

Net exports lifted growth

On the expenditure side, net exports was the key growth driver, contributing +2.4ppts to headline GDP growth (1Q26: +0.6ppts). Real exports surged (+17.0% YoY; 1Q26: +5.2%) on robust E&E and petroleum products shipments, tourism and ICT services. Meanwhile, imports jumped (+13.9%; 1Q26: +4.6%), reflecting firmer intermediate goods demand. As a result, net exports rose sharply (+168.5%; 1Q26: +13.5%).

Domestic demand performance was mixed. Private consumption remained firm (+4.8% YoY; 1Q26: +4.7%), supported by a resilient labour market and income-related policy support. Total investment moderated (+4.6%; 1Q26: +7.3%) on easing private investment (+4.3%; 1Q26: +7.8%), consistent with weaker capital goods imports, although this was partly offset by firmer public investment (+6.3%; 1Q26: +5.3%).

On a sectoral basis, manufacturing and mining lifted headline growth. Manufacturing accelerated (+7.3% YoY; 1Q26: +5.9%) amid robust external demand for E&E and AI-related components. Mining rebounded strongly (+9.2%; 1Q26: -2.1%), contributing +0.5ppts to headline GDP growth (1Q26: -0.1ppts), driven by firmer natural gas production and a low base from maintenance activities last year. Services also surprised on the upside, rising to +5.9% (1Q26: +5.6%), above the advance estimate of +5.4%. Nonetheless, agriculture declined (-3.7%; 1Q26: +2.6%), while construction moderated further (+6.5%; 1Q26: +7.7%).

Current account supported by goods surplus

The current account recorded a smaller surplus (+RM10.8bn; 1Q26: +RM15.2bn), equivalent to 2.0% of GDP (1Q26: 3.0%), as the services account turned into a marginal deficit (-RM0.7bn; 1Q26: +RM6.4bn) following three consecutive quarters of surplus. Meanwhile, the primary income deficit widened (-RM27.2bn; 1Q26: -RM20.9bn) on rising profit repatriation by foreign firms. Nonetheless, the goods account surplus widened (+RM40.7bn; 1Q26: +RM33.6bn) amid firmer exports, providing some relief to the overall current account balance. Given the larger-than-expected current account surplus of +RM25.9bn (+2.5% of GDP) in 1H26, we **raise our 2026 current account surplus projection to +2.0% of GDP** (previously +1.5%).

Potential growth moderation in 2H26

We **maintain our full-year 2026 GDP growth forecast at +5.0% YoY**, at the upper end of BNM's official forecast range of 4.0-5.0%, following our recent upward revision from +4.7%.

Nonetheless, the stronger-than-expected +6.0% GDP growth in 2Q26 has further tilted the balance of risks to the upside, with full-year growth potentially reaching 5.1-5.5% should the strong momentum sustain amid continued strength in E&E exports and AI-related investment.

That said, our 2026 GDP forecast of +5.0% YoY implies growth moderating to +4.4% in 2H26, partly reflecting high base effect from strong 2H25 growth. More importantly, the drag from Middle East tensions may become more visible in 2H26 as the **risk shifts from supply disruption to persistent cost pressures**, which could increasingly weigh on production and investment. While businesses have largely mitigated supply risks through alternative suppliers, BNM noted that these come at higher prices, with PPI rising to a four-year high of +9.2% in June.

Furthermore, economic momentum may soften as earlier frontloading and stockpiling activities unwind. Malaysia's July manufacturing PMI showed firms' purchasing activity remained broadly flat despite higher new orders, suggesting that inventory frontloading is beginning to fade. Other key external risks include **i) a sharp re-escalation of Middle East tensions**, potentially extending beyond the Strait of Hormuz to the Red Sea, and **ii) unfavourable US trade policies**, both of which could trigger a sharp deterioration in global trade.

Steady OPR outlook for now

To recap, BNM delivered a pre-emptive 25-bp cut in July 2025. With full-year growth potentially reaching 5.1-5.5% YoY, above BNM's current forecast range, the **stronger-than-expected 1H26 performance has raised the prospect of a rate hike**. Nonetheless, we believe BNM is likely to adopt a wait-and-see approach and assess the rising headwinds in 2H26. Our 2026 baseline GDP growth forecast of +5.0% and inflation forecast of +2.0% also remain within BNM's current projections. Thus, we expect BNM to **keep the OPR on hold at 2.75%** through 2026.

Figure 1: GDP by Sector Approach

	% share	% YoY							ppts contribution to GDP						
	2025	2024	2025	2Q25	3Q25	4Q25	1Q26	2Q26	2024	2025	2Q25	3Q25	4Q25	1Q26	2Q26
GDP	100	5.2	5.2	4.6	5.3	6.2	5.4	6.0	5.2	5.2	4.6	5.3	6.2	5.4	6.0
Agriculture	6.1	3.4	2.2	2.5	0.2	5.7	2.6	-3.7	0.2	0.1	0.2	0.01	0.3	0.1	-0.2
Mining	5.7	1.2	0.6	-5.2	9.4	1.4	-2.1	9.2	0.1	0.03	-0.3	0.5	0.1	-0.1	0.5
Manufacturing	23.0	4.2	4.5	3.7	4.1	6.0	5.9	7.3	1.0	1.0	0.9	0.9	1.4	1.4	1.7
Construction	4.3	17.6	12.2	12.1	11.7	10.9	7.7	6.5	0.6	0.5	0.5	0.5	0.4	0.3	0.3
Services	59.6	5.4	5.4	5.1	5.3	6.2	5.6	5.9	3.2	3.2	3.0	3.1	3.7	3.3	3.5
Import duties	1.3	7.7	17.6	29.1	16.6	19.6	29.2	19.5	0.1	0.2	0.3	0.2	0.3	0.3	0.3

Source: Department of Statistics, Apex Securities

Figure 2: GDP by Demand Approach

	% share	% YoY							ppts contribution to GDP						
	2025	2024	2025	2Q25	3Q25	4Q25	1Q26	2Q26	2024	2025	2Q25	3Q25	4Q25	1Q26	2Q26
GDP	100	5.2	5.2	4.6	5.3	6.2	5.4	6.0	5.2	5.2	4.6	5.3	6.2	5.4	6.0
Domestic demand	96.3	6.3	6.3	6.8	6.2	6.6	5.2	5.1	5.9	6.0	6.5	5.9	6.2	5.0	4.9
Private consumption	60.6	4.8	5.3	5.1	5.8	5.6	4.7	4.8	2.9	3.2	3.1	3.5	3.2	2.9	2.9
Public consumption	13.4	4.6	5.3	5.7	5.8	6.6	4.1	7.6	0.6	0.7	0.7	0.7	1.0	0.5	0.9
Private investment	17.2	12.4	9.4	11.7	7.4	9.2	7.8	4.3	1.9	1.6	2.2	1.3	1.2	1.4	0.8
Public investment	5.1	11.1	10.3	13.5	7.5	9.5	5.3	6.3	0.5	0.5	0.5	0.3	0.7	0.2	0.3
Change in inventories	0.5	-53.6	-21.0	9.8	-157.3	104.2	-22.4	-76.5	-1.0	-0.2	0.2	-1.8	1.4	-0.3	-1.3
Net Exports	3.3	6.7	-15.6	-58.3	32.2	-32.9	13.5	168.5	0.3	-0.6	-2.0	1.2	-1.4	0.6	2.4
Exports	66.8	8.6	4.9	4.5	4.6	6.3	5.2	17.0	5.7	3.4	3.1	3.2	4.2	3.5	11.6
Imports	63.5	8.7	6.3	7.9	3.0	9.0	4.6	13.9	5.4	4.0	5.1	2.0	5.7	2.9	9.3

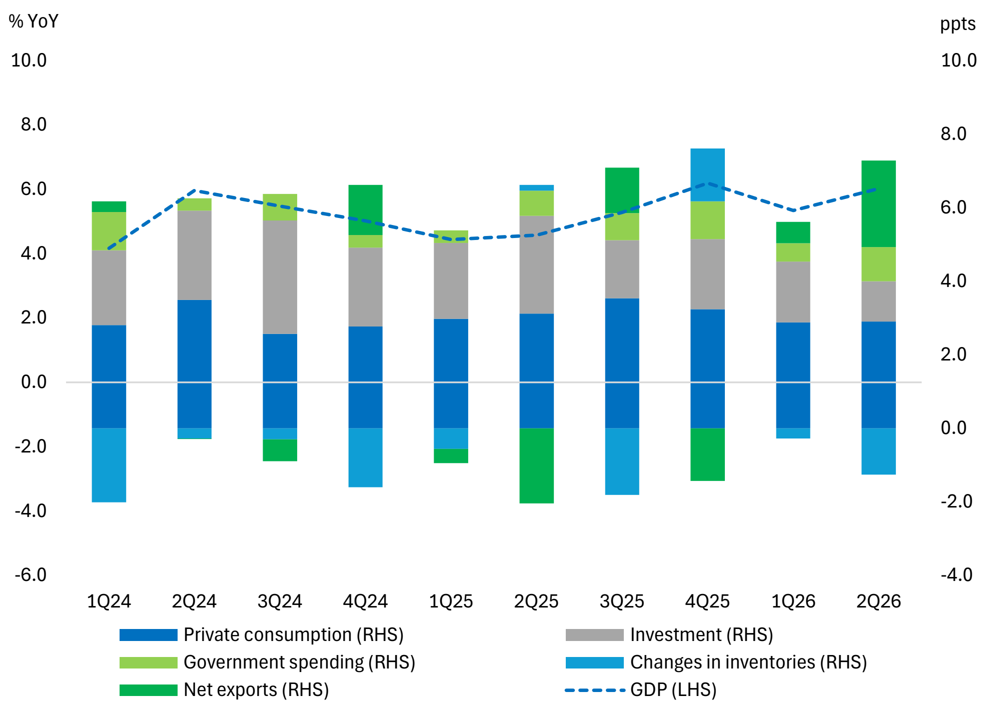
Source: Department of Statistics, Apex Securities

Figure 3: Current Account Breakdown

	RM bn							% of GDP						
	2024	2025	2Q25	3Q25	4Q25	1Q26	2Q26	2024	2025	2Q25	3Q25	4Q25	1Q26	2Q26
Current account	27.4	32.8	2.7	13.5	2.7	15.2	10.8	1.4	1.6	0.6	2.6	0.5	3.0	2.0
Goods	112.5	105.4	16.0	32.3	24.3	33.6	40.7	5.8	5.2	3.3	6.2	4.6	6.5	7.5
Services	-12.6	5.3	-0.5	2.7	5.3	6.4	-0.7	-0.7	0.3	-0.1	0.5	1.0	1.3	-0.1
Primary income	-64.8	-67.3	-9.5	-19.3	-23.1	-20.9	-27.2	-3.3	-3.3	-1.9	-3.7	-4.3	-4.1	-5.0
Secondary income	-7.8	-10.6	-3.2	-2.2	-3.7	-4.0	-2.1	-0.4	-0.5	-0.7	-0.4	-0.7	-0.8	-0.4

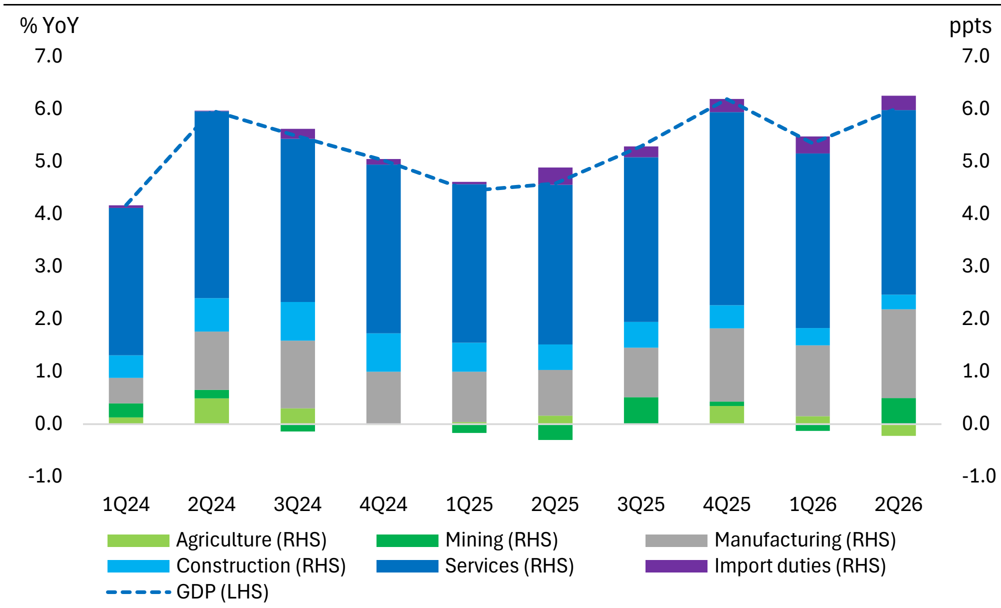
Source: Department of Statistics, Apex Securities

Figure 4: Malaysia's GDP growth supported by net exports in 2Q26



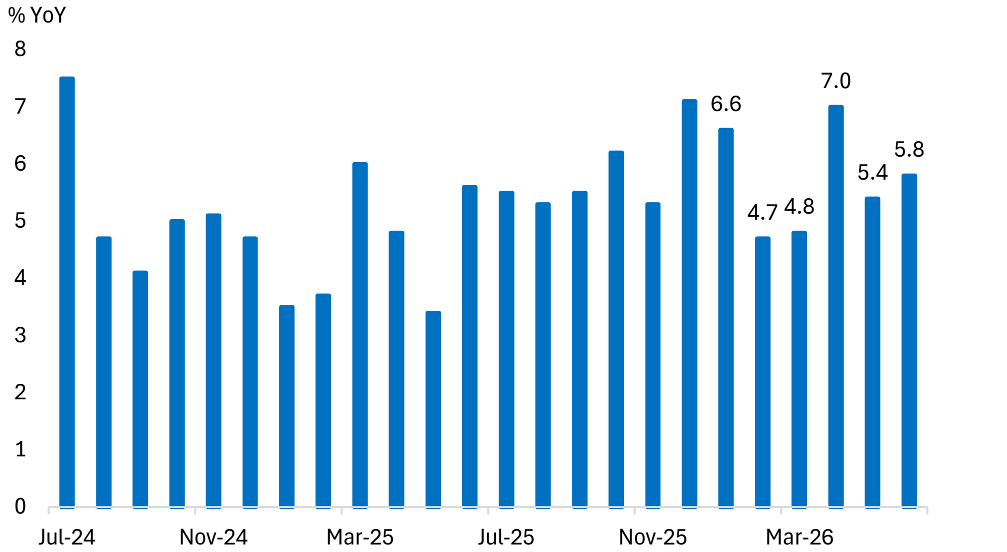
Source: Department of Statistics, Apex Securities

Figure 5: Malaysia's GDP growth underpinned by mining and manufacturing



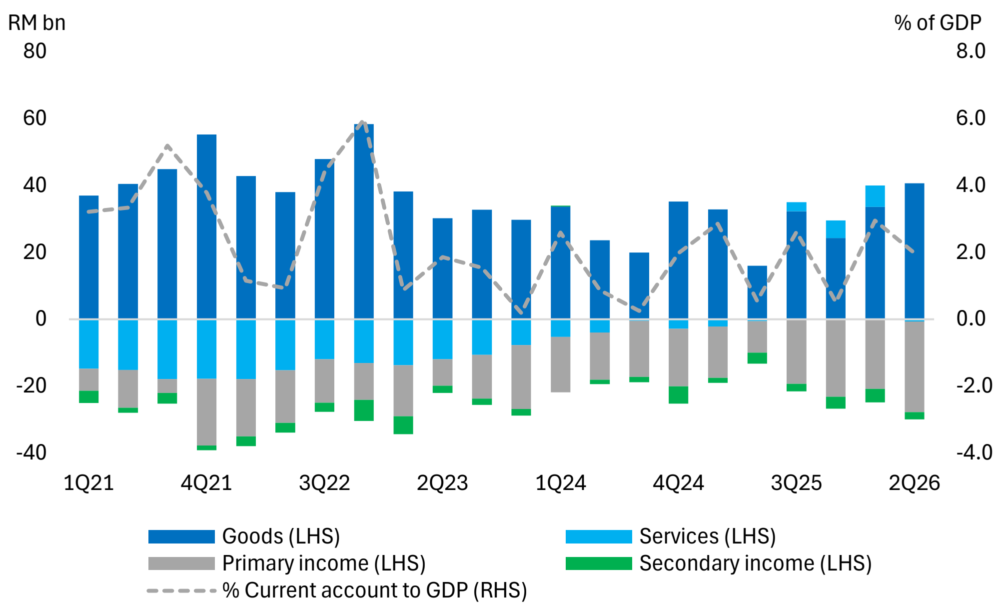
Source: Department of Statistics, Apex Securities

Figure 6: Monthly GDP growth improved slightly



Source: Department of Statistics, Apex Securities

Figure 7: The current account was supported by goods surplus



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, 17 Aug, 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.