Q2 2026 Advance Gross Domestic Product Estimates

Growth momentum from Q1 continues amid continued global economic uncertainty

Malaysian Institute of
Economic Research

Muhammad Amal Roslan
Izyan Shamimi Saidi
Azizul Amiludin
www.mier.org.my admin@mier.org.my

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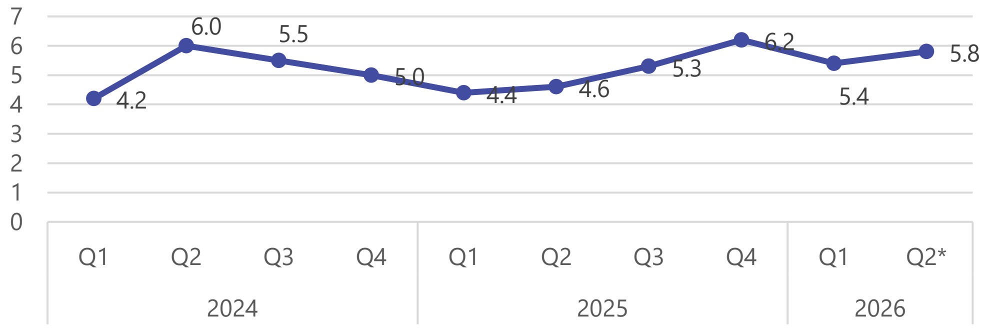
Growth continue to surprise with domestic demand and exports as drivers

- **Strong Growth Momentum Continues:** Malaysia’s economy expanded by **5.8% (YoY) in Q2 2026**, accelerating from the 5.4% growth recorded in the first quarter. This brought the total first-half growth for 2026 to 5.6%, marking the strongest first-half performance since 2024.
- **Services Sector as the Main Engine:** The services sector remains the largest contributor to the economy, accounting for **59.5% of Malaysia's GDP**. It grew by 5.4% YoY in Q2, driven largely by wholesale and retail trade, information and communication, and transportation and storage.
- **Manufacturing Hit a Two-Year High:** Supported by robust external demand for **electrical and electronics (E&E) products**, the manufacturing sector expanded by **7.5% YoY in Q2 2026**. This represents the sector's strongest growth in two years, bolstered by a massive surge in exports during April and May.
- **Exports growth have also been broad-based**: Although E&E demand from the U.S. remained the primary driver of exports, growth in trade has been broad-based across major trading partners.
- **Significant Rebound in Mining:** The mining and quarrying sector saw a major recovery, growing by **10.2% YoY** in the second quarter compared to just 2.1% in Q1. This rebound was primarily fueled by **surging LNG production and exports**, which offset a decline in crude oil shipments.
- **Continued Contraction in Agriculture:** Agriculture was the only sector to contract, shrinking by **3.7% in Q2 2026**. The decline is attributed to weaker oil palm and fishing output, compounded by **persistent labour shortages** and tighter regulations on foreign workers.

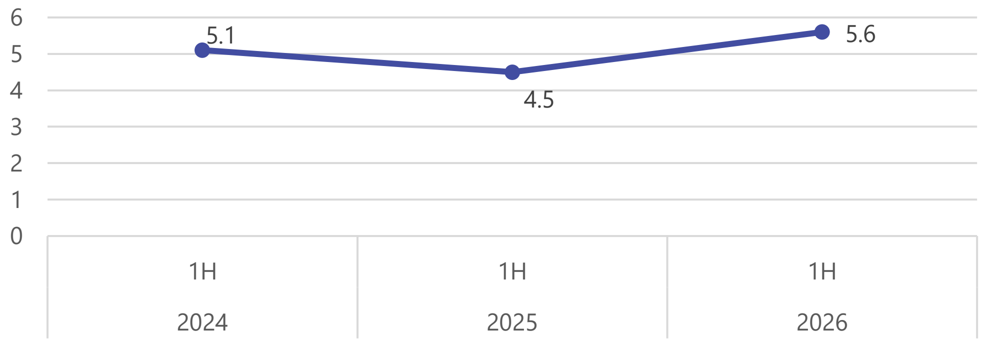
Malaysia’s GDP Growth Strengthens in Q2 2026

Malaysia's GDP Performance

GDP Quarterly YoY (%)



GDP First Half YoY (%)



Source: DOSM, *Advance Gross Domestic Product: 2Q 2026*

Growth momentum remained strong

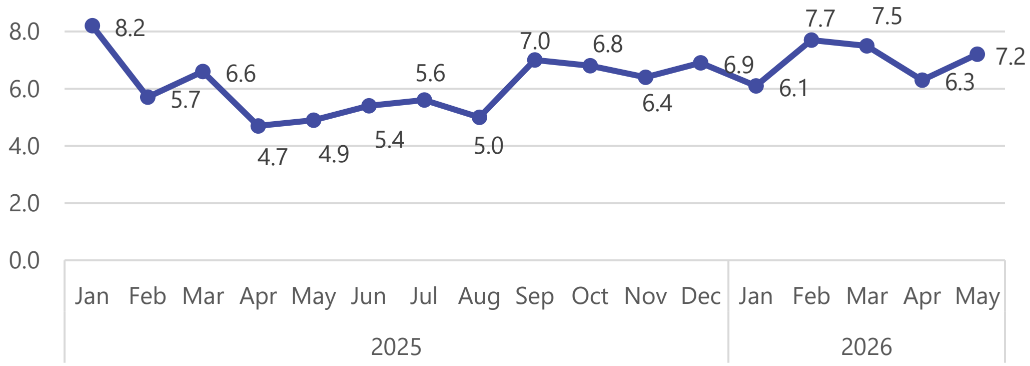
- Malaysia’s economy expanded by **5.8% year-on-year (YoY) in Q2 2026**, accelerating from **5.4% in Q1 2026.** This brought **1H 2026 GDP growth to 5.6%**, exceeding the **5.1% recorded in 1H 2024** and marking the strongest first-half performance since 2024.
- Growth was broad-based across the services, manufacturing, mining & quarrying and construction sectors, reflecting resilient domestic demand and improving production activity despite continued geopolitical tensions and trade uncertainties.
- The **services sector remained the main driver of growth**, supported by resilient household spending, while **manufacturing recorded its strongest expansion in two years** on the back of robust demand for E&E exports.
- **Mining & quarrying rebounded strongly**, whereas **agriculture remained the only sector to contract**, weighed down by weaker oil palm and fishing output.

Services remained the largest contributor to GDP

Services Sector and Retail Sales Performance

Economic Activity	Quarterly GDP Performance by Economic Activity		Percentage Share to GDP	
	Q1	Q2	Q1	Q2
Services	5.6	5.4	59.9	59.5
Manufacturing	5.9	7.5	23.1	23.4
Agriculture	2.6	-3.7	5.6	5.6
Mining & Quarrying	-2.1	10.2	5.7	5.6
Construction	7.7	6.6	4.4	4.3

Sales Value Retail Trade YoY (%)



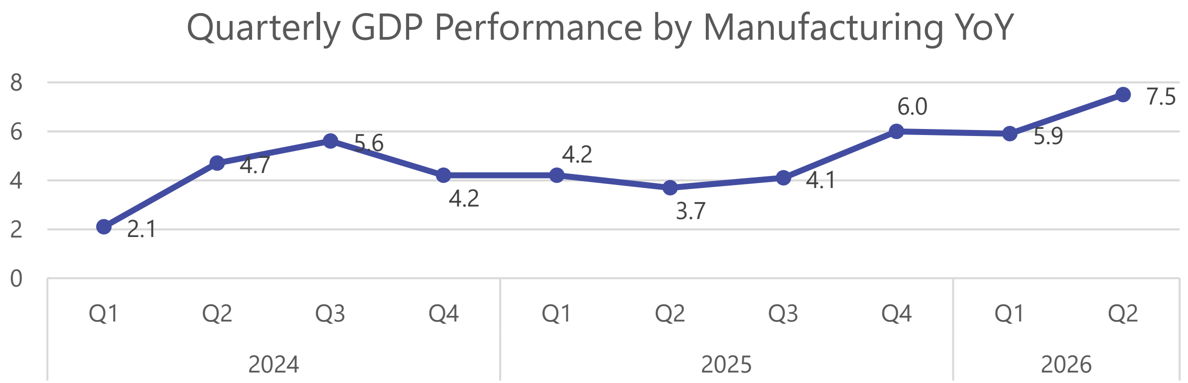
Source: DOSM, *Advance Gross Domestic Product: 2Q 2026*

Household spending continued to support growth

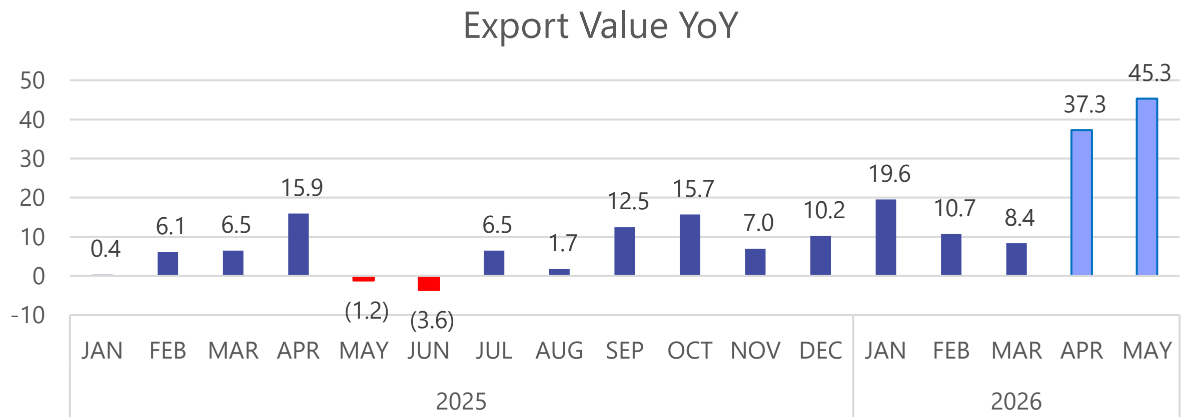
- The services sector expanded by **5.4% YoY in Q2 2026**, contributing **59.5% of Malaysia's GDP**.
- Growth was primarily driven by the wholesale & retail trade, information & communication, and transportation & storage subsectors, supported by resilient domestic demand.
- Retail sales remained on an upward trend, reflecting sustained household spending amid a stable labour market, rising wages and continued government support measures. This underscores the services sector's role as the key driver of Malaysia's economic growth.

Manufacturing accelerates as export demand remains resilient

Manufacturing GDP Growth



Export Growth



Source: DOSM, *Advance Gross Domestic Product, 2Q 2026; External Trade (Headline), May 2026*

External demand supports industrial growth

- The manufacturing sector expanded by **7.5% YoY in Q2 2026**, its strongest growth in two years, supported by stronger production across export-oriented industries, particularly electrical and electronics (E&E).

- Malaysia's exports grew strongly, rising **37.3% YoY in April and 45.3% in May 2026**, marking the fastest growth rates recorded in 2026. The surge was driven largely by sustained demand for electrical and electronics (E&E) products, supported by continued AI-related investment and stronger shipments to key markets such as the **United States, Singapore and Hong Kong**.

- The robust export performance reinforced manufacturing activity, contributing to the sector's **7.5% YoY growth in Q2 2026.**

E&E exports to the United States pace growth momentum

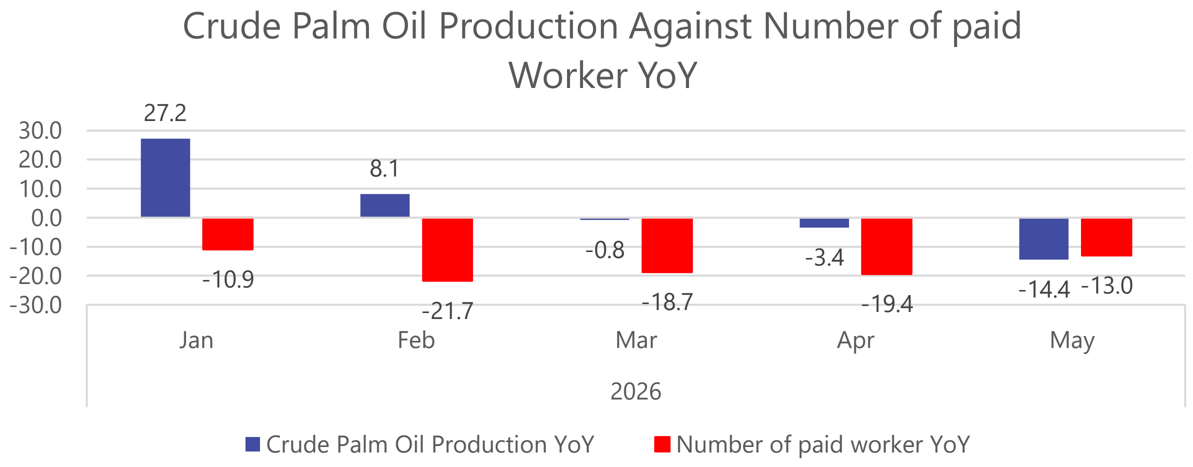
Source: DOSM, *External Trade Statistics Report, May 2026*

While exports to other trade partners are growing too

- **Exports to all major export destination grew**, with largest partners US, Singapore, China, and the European Union registering double digit growth.
- **The U.S. led the way.** Shipments to the U.S. nearly doubled to RM36.9 billion (+97.7% YoY) in May, lifting it past Singapore and China to become Malaysia's largest export market. Electrical & electronic demand was again stellar (+RM13.5 billion; +119.5%).
- The U.S. (RM36.9 billion; 20.1% share) and Singapore (RM25.6 billion; 13.9%) together make about a third of Malaysia's exports. China followed at RM19.2 billion; 10.5%, while European Union (RM 15 billion; 8.2%) and Hong Kong (RM14 billion; 7.4%).

Agriculture contracts further amid weaker crop production

Agriculture Sector Performance



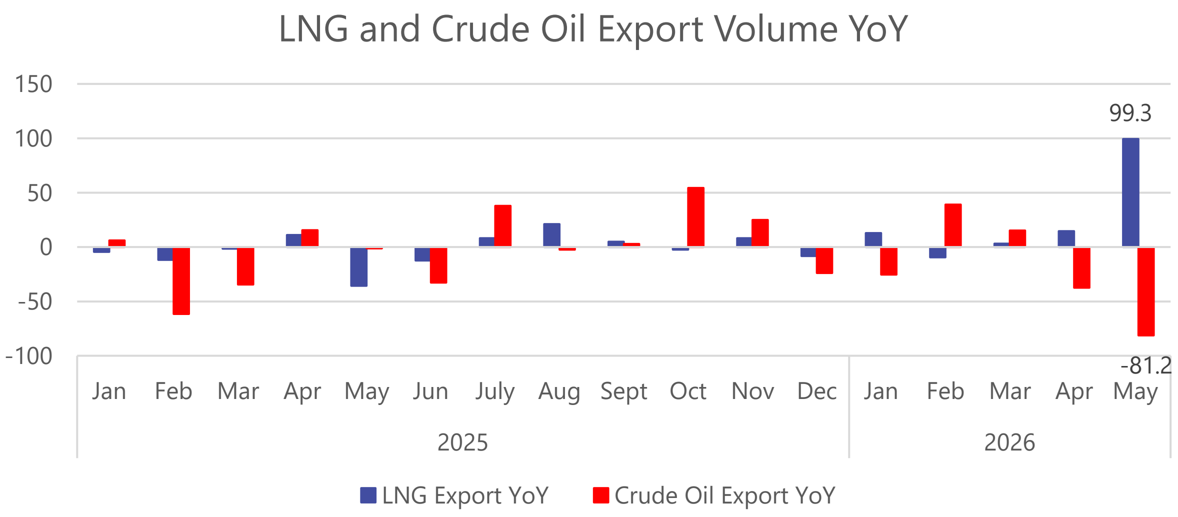
Sources: DOSM, *Advance Estimates of Gross Domestic Product, Second Quarter 2026*; *The Edge Malaysia*, "Labour shortages in palm oil industry expected to persist" (2026)

Labour shortages continue to weigh on agricultural output

- The agriculture sector **contracted further by 3.7%** in Q2 2026, reflecting weaker crop production and persistent structural challenges.
- Labour shortages continue to constrain agricultural activity, particularly following tighter foreign worker regulations.
- Addressing these labour constraints will be critical to improving agricultural productivity. Greater youth participation, wider adoption of mechanisation, and increased automation could help reduce labour dependence and support the sector's long-term resilience.

Mining rebounds on stronger LNG production despite weaker crude oil exports

LNG and Crude Oil Export Performance



Source: DOSM, *Advance Gross Domestic Product: 2Q 2026*

LNG exports drive mining sector recovery

- The mining and quarrying sector rebounded by **10.2% YoY in Q2 2026**, recovering from **2.1%** growth in the previous quarter. The improvement was driven by stronger natural gas production, with **LNG export volumes surging 99.3% YoY in May**, while crude oil shipments fell **81.2% YoY**.

- The strong performance reflects robust external demand for LNG and Malaysia's expanding role as a regional energy supplier. While crude oil exports remain vulnerable to supply disruptions and global market uncertainties, continued strength in LNG production is expected to support the mining sector in the near term.

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