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M'sian economy to grow around 5% this year: BNM

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KUALA LUMPUR: Bank Negara Malaysia (BNM) expects Malaysia's economy to grow by around 5% this year, supported by stronger-than-expected expansion in the first half, although it is retaining its official full-year growth forecast of 4% to 5% for now.

BNM governor Datuk Seri Abdul Rasheed Ghaffour said the economy performed above the central bank's expectations for the past three quarters, with the latest data and high-frequency indicators pointing to full-year growth coming in around the 5% mark.

"Given the performance of the first two quarters, first-half growth of 5.7%, and given the data points that we have seen and also the high-frequency data that we are monitoring and observing, we are confident that we will be around 5%," he said at a briefing following the release of Malaysia's second-quarter economic data.

Pressed on whether BNM was ruling out the possibility of full-year growth exceeding 5%, Abdul Rasheed said: "Of course, around 5% could be below or above."

BNM has maintained its official 2026 growth forecast at 4%-5%, with Abdul Rasheed saying any revision would normally be announced during the Budget.

He said the stronger momentum was broad-based, with the economy benefiting from multiple growth drivers rather than relying solely on the global artificial intelligence (AI) and semiconductor cycle.

"It is broad-based. As you know, the economy is very diversified. The main driver is domestic demand, but we have strong support from the export sector coming from this quarter and the previous quarter's expansion."

The central bank also noted continued strength in Malaysia's technology supply chain, particularly as global AI adoption remains in its early stages.

Abdul Rasheed said BNM's engagements with multinational semiconductor companies pointed to significantly stronger demand, with their order books lengthening considerably.

Earlier this year, the companies indicated that their order books stood at four to six months.

During BNM's more recent engagements

➤ Performance in past three quarters exceeds expectations



Abdul Rasheed gestures during a briefing following the release of Malaysia's second-quarter economic data in Kuala Lumpur yesterday. — BERNAMAPIC

with businesses in June, however, they indicated that their order books had extended to 12-18 months.

"That shows the strong demand that's coming from this AI development. And you must also note that AI adoption globally is still in its early stages. So, the potential for this to grow, and will then factor in demand for our products, is very high," the central bank governor said.

Malaysia is well integrated into the global AI value chain, Abdul Rasheed said, adding that the strength of the technology cycle was expected to continue supporting the economy.

He also said investment in data centres would continue, with some adjustment following the high levels recorded in recent quarters.

"Based on estimates and ongoing and planned projects on data centres, we see that data centre investment will continue, although there will be some adjustments because we

have seen a high base in the last few quarters in terms of investments. There will be some adjustments, but the investment will continue in data centres," he added.

Despite the stronger-than-expected performance, Abdul Rasheed said BNM did not see signs of the economy overheating. "Despite that we have recorded strong growth for the last three quarters, we don't see excessive demand pressure at this moment. Demand is steady and resilient, but it's not excessive."

The growth outlook nevertheless remains subject to external uncertainties, including developments in the global economy and geopolitical tensions.

BNM sees potential upside from continued strong demand for electrical and electronic products and higher tourism activity, while a prolonged Middle East conflict and weaker-than-expected production due to weather conditions remain among the downside risks.