

Economy set to remain resilient amid geopolitical tensions

KUALA LUMPUR: Malaysia's economic outlook remains cautiously optimistic, with resilient domestic demand and investment expected to support growth even as geopolitical tensions, energy-market disruptions and supply-chain shocks cloud the global environment.

The Statistics Department, in its latest economic review, said the country's near-term outlook remained positive, with the Leading Index rising 1.3 per cent year-on-year in June to 114.8 points.

The index edged up 0.02 per cent month-on-month, signalling continued momentum in domestic demand and investment activity.

The positive outlook follows a strong second quarter, with Malaysia's gross domestic product (GDP) expanding six per cent year-on-year, backed by sustained domestic demand and robust exports.

On a quarter-on-quarter basis, GDP grew 2.5 per cent, rebounding from a marginal 0.03 per cent contraction in the preceding quarter.

All major sectors recorded growth except agriculture, while services remained the main engine of expansion.

Industrial activity strengthened, with the Industrial Production Index (IPI) rising 6.5 per cent year-on-year in June.

Manufacturing output increased 7.3 per cent, electricity rose 6.7 per cent and mining expanded 3.1 per cent.

The momentum was more pronounced in the second quarter, when IPI growth accelerated to 7.7 per cent, from four per cent in the first quarter.



Manufacturing sales value climbed 9.8 per cent year-on-year to RM177 billion in June, led by the electrical and electronics products sub-sector, which grew 18.7 per cent.

Services continued to underpin domestic activity, with revenue increasing 11.2 per cent year-on-year in the second quarter to RM714.7 billion.

The Volume Index of Services rose 5.9 per cent to 170.1 points, with all major services segments recording positive growth.

External trade provided another major boost, with total trade surging 44.7 per cent year-on-year to RM340.9 billion in June.

Exports jumped 45.4 per cent to RM177.9 billion, while imports rose

43.9 per cent to RM163 billion.

The trade surplus widened by 64.9 per cent to RM14.9 billion.

Malaysia's current account remained in surplus at RM10.8 billion in the second quarter, although this was down from RM15.2 billion in the first quarter.

Price pressures remained relatively contained. Inflation eased to 1.9 per cent in June from two per cent in May and stood at 1.8 per cent in July.

Producer prices, however, continued to climb, with the PPI rising 9.2 per cent in June before accelerating to 9.7 per cent in July.

The labour market remained resilient, with the labour force expanding one per cent to 17.28 million people in the second quarter.

Employment rose 1.1 per cent to 16.77 million, while the unemployment rate remained at three per cent.

Total jobs increased 1.7 per cent year-on-year to 9.25 million.

The department said developing Asia and the Pacific faces a weaker outlook, with growth projected at 4.9 per cent in 2026, down from the earlier 5.1 per cent forecast.

Higher production costs, energy disruptions and supply-chain shocks linked to the Middle East conflict remain key concerns.

Against these external risks, Malaysia's stable labour market, strong domestic activity and investment momentum provide key buffers, keeping the near-term growth outlook favourable.