MINISTRY OF ECONOMY
DEPARTMENT OF STATISTICS MALAYSIA

MEDIA STATEMENT

MALAYSIA ECONOMIC STATISTICS REVIEW, VOLUME 8/2026

Continued economic growth in Q2 2026 signals an optimistic near-term outlook

PUTRAJAYA, 28th AUGUST 2026 *– Today, the Department of Statistics, Malaysia (DOSM) released the* ***Malaysian Economic Statistics Review (MESR), Volume 8/2026.*** *This edition presents the latest developments in Malaysia's economic performance, highlighting key trends across major areas of economic activity and providing an integrated perspective on the country's economic trajectory amid evolving domestic and global conditions. This edition also features a special article entitled "Gross Fixed Capital Formation and Economic Growth in Malaysia: Long-run and Short-run Dynamics". The article examines the long-run and short-run relationship between Gross Fixed Capital Formation (GFCF) and Gross Domestic Product (GDP), including adjustment dynamics and Granger causality, based on Malaysia's data from 1956 to 2025.*

Globally, the economic outlook for Developing Asia and the Pacific (DAP) remains fragile amid energy market disruptions and supply chain shocks arising from the Middle East conflict. According to the Asian Development Outlook July 2026, growth in DAP is projected at 4.9 per cent in 2026, lower than the 5.1 per cent projected in April and the 5.5 per cent recorded in 2025. The downward revision reflects higher production costs and subdued economic activity arising from the conflict. Nevertheless, growth for 2027 is projected at 5.1 per cent, assuming that these pressures gradually ease.

Against this backdrop, DOSM reported that Malaysia's economy maintained its growth momentum, with Gross Domestic Product (GDP) expanding by 6.0 per cent in the second quarter of 2026, supported by sustained domestic demand and strong export performance. The expansion was also reflected in a 2.5 per cent quarter-on-quarter growth, following a marginal decline of 0.03 per cent in the preceding quarter. All economic sectors recorded positive growth except the Agriculture sector, while the Services sector continued to underpin overall economic expansion.

The continued expansion in economic activity was reflected in industrial performance, with the Industrial Production Index (IPI) increasing by 6.5 per cent year-on-year in June 2026. The growth was driven mainly by the Manufacturing and Electricity sectors, which expanded by 7.3 per cent and 6.7 per cent, respectively, while the Mining sector also recorded growth of 3.1 per cent. On a month-on-month basis, the IPI increased by 5.5 per cent, while growth in the second quarter accelerated to 7.7 per cent from 4.0 per cent in the preceding quarter, indicating stronger industrial momentum.

Within the industrial sector, the Manufacturing sector continued to support economic activity, with sales value increasing by 9.8 per cent year-on-year in June 2026 to RM177.0 billion, rising from 8.9 per cent in May 2026. The increase was primarily driven by the Electrical & Electronics (E&E) products sub-sector, which recorded growth of 18.7 per cent. On a month-on-month basis, manufacturing sales increased by 2.5 per cent from RM172.7 billion in May 2026. For the second quarter of 2026, total manufacturing sales reached RM524.8 billion, registering stronger growth of 9.3 per cent compared with 5.5 per cent in the first quarter.

Meanwhile, the Services sector continued to provide significant support to the overall economic activity. Revenue increased by 11.2 per cent year-on-year in the second quarter of 2026 to RM714.7 billion, while the Volume Index of Services rose by 5.9 per cent to 170.1 points. On a quarter-on-quarter basis, revenue and the Volume Index of Services increased by 4.9 per cent and 1.3 per cent, respectively. The expansion was supported by positive growth across all major Services segments.

The strength of domestic economic activity was complemented by continued momentum in Malaysia's external trade. DOSM highlighted that total trade increased by 44.7 per cent year-on-year in June 2026 to RM340.9 billion, driven by a 45.4 per cent increase in exports to RM177.9 billion and a 43.9 per cent increase in imports to RM163.0 billion. Consequently, the trade surplus expanded by 64.9 per cent to RM14.9 billion. On a month-on-month basis, imports and total trade increased, while exports and the trade surplus declined. Nevertheless, strong export and import growth in July 2026 indicates that the positive trade momentum remained intact.

The favourable external position was also reflected in Malaysia's Current Account Balance (CAB), which recorded a surplus of RM10.8 billion in the second quarter of 2026, compared with RM15.2 billion in the preceding quarter, supported by net exports of the Goods Account. Meanwhile, Foreign Direct Investment (FDI) recorded a net inflow of RM7.4 billion, compared with RM22.8 billion in the first quarter of 2026, while Direct Investment Abroad (DIA) recorded a net outflow of RM7.0 billion, compared with RM8.1 billion in the preceding quarter.

Amid the continued expansion in economic activity, price developments remained relatively contained. Malaysia's inflation moderated to 1.9 per cent in June 2026 from 2.0 per cent in May, with the Consumer Price Index increasing to 137.1 points from 134.5 points a year earlier. The increase was mainly driven by the Transport group, while inflationary pressures eased in several key groups, including Food & Beverages, Housing, Water, Electricity, Gas & Other Fuels, and Restaurant & Accommodation Services. Meanwhile, inflation remained at 1.8 per cent in July 2026, indicating that overall consumer price pressures remained relatively contained.

At the producer level, Malaysia's Producer Price Index (PPI) increased by 9.2 per cent year-on-year in June 2026, accelerating from 7.8 per cent in May 2026. Growth was recorded across all sectors, with the Mining sector registering an increase of 29.0 per cent, driven mainly by a 40.7 per cent rise in the Extraction of crude petroleum index. On a month-on-month basis, the PPI for local production increased marginally by 0.6 per cent, following a 1.1 per cent increase in May. Subsequently, PPI growth strengthened further to 9.7 per cent in July 2026, pointing to continued movements in producer prices.

DOSM further emphasised that Malaysia's labour market remained stable, with the labour force increasing by 1.0 per cent to 17.28 million persons in the second quarter of 2026, while the Labour Force Participation Rate (LFPR) remained at 70.9 per cent. The number of employed persons increased by 1.1 per cent to 16.77 million persons, while the unemployment rate remained unchanged at 3.0 per cent. On the demand side, the total number of jobs increased by 1.7 per cent year-on-year to 9.25 million jobs, reflecting continued labour demand alongside the expansion of economic activity.

Looking ahead, Malaysia's Leading Index (LI) maintained its upward trajectory, recording an annual growth of 1.3 per cent in June 2026 to 114.8 points from 113.3 points in the corresponding month of the previous year. On a month-on-month basis, the LI increased marginally by 0.02 per cent. Although the long-term smoothed trend of the LI remained below 100.0 points, the continued improvement in the LI signals to an optimistic near-term outlook, influenced by domestic demand and investment activity.

Overall, Malaysia's economic performance in the second quarter of 2026 remained favourable, supported by sustained domestic activity, investment, strong external trade and continued expansion across key economic sectors. Labour market conditions remained stable, while consumer price developments stayed relatively contained. Moving forward, the growth outlook will continue to be shaped by the strength of domestic demand and investment, alongside developments in the global environment, particularly geopolitical conditions, energy markets and supply chain disruptions as the downside risks.

The Department of Statistics Malaysia (DOSM) is conducting the ***Economic Census 2026 (BE2026)****, with themed* ***"Data Nadi Ekonomi Rakyat"****. The sixth Economic Census, will be carried out from* ***5th January to 31st October 2026****. BE2026 aims to collect comprehensive and structured data from all registered and unregistered business establishments in Malaysia to assess the nation's economic performance, structure and characteristics in an evidence-based manner.*

OpenDOSM NextGen *is a medium that provides data catalogue and visualisations to facilitate users' analysis and can be accessed through https://open.dosm.gov.my.*

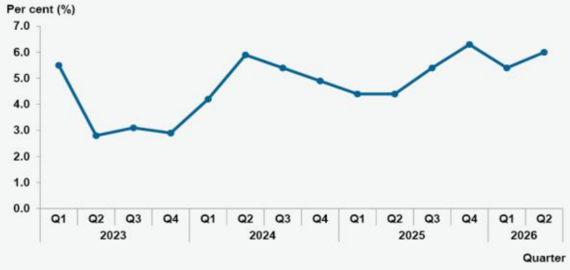
Released by:

THE OFFICE OF CHIEF STATISTICIAN MALAYSIA
DEPARTMENT OF STATISTICS MALAYSIA
28 AUGUST 2026

Appendix 1: Key Economic Indicators

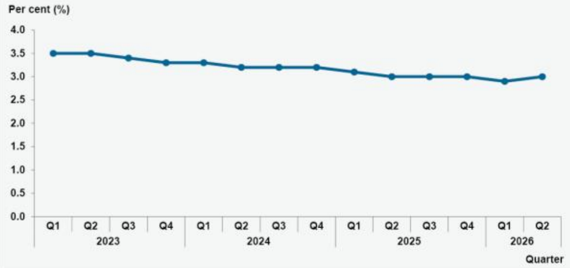
Gross Domestic Product (GDP)

6.0%
Q2 2026



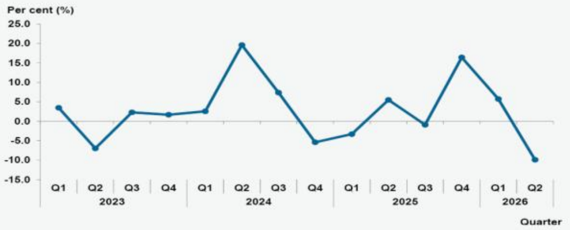
Unemployment Rate

3.0%
Q2 2026



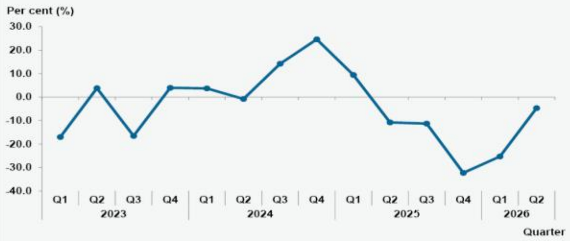
Production of Fresh Fruit Bunches

-9.9%
Q2 2026



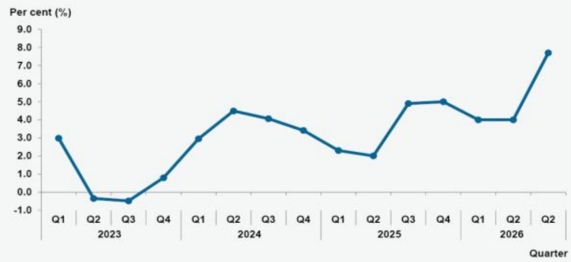
Production of Natural Rubber

-4.7%
Q2 2026



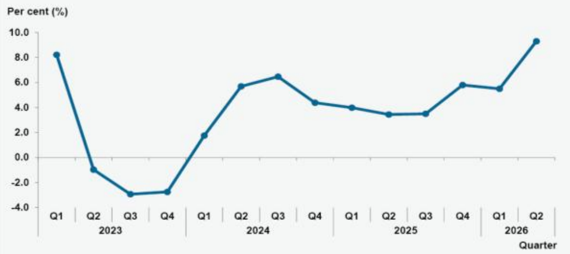
Industrial Production Index (IPI)

7.7%
Q2 2026



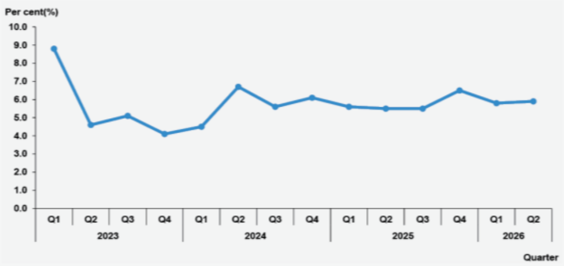
Sales Value of Manufacturing Sector

9.3%
Q2 2026



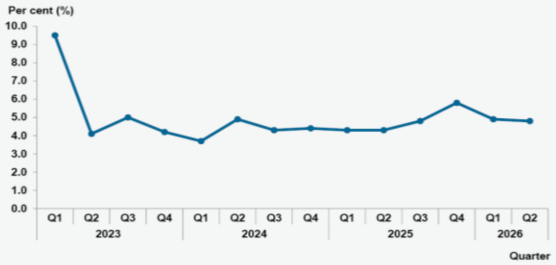
Index of Services

11.2%
Q2 2026



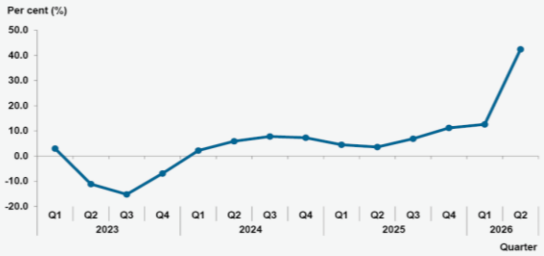
Volume Index of Wholesale & Retail Trade

4.8%
Q2 2026



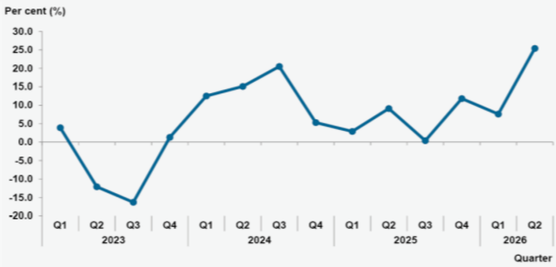
Exports

42.4%
Q2 2026



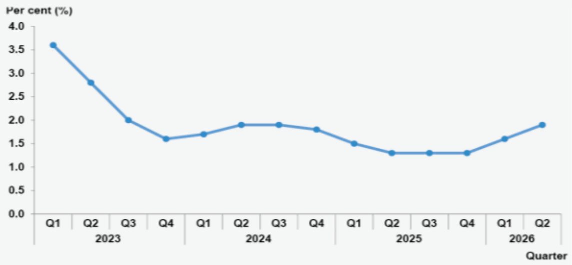
Imports

25.4%
Q2 2026



Consumer Price Index (CPI)

1.9%
Q2 2026



Producer Price Index (PPI) Local Production

7.4%
Q2 2026