QUARTERLY
ECONOMY TRACKER

The Economy Endures War Shock So Far

4 August 2026

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SERC SDN BHD
Socio-Economic Research Centre

World Economic Outlook Update

LOOKING RESILIENT AMID FRAGILE CERTAINTY

- The US-Isreal military conflicts started on 28 February 2026. On 17 June, both countries signed a 14-point 60-day memorandum of understanding (MOU) ceasefire plan to address issues, including freedom of navigation in the Strait of Hormuz, Iran's nuclear and missile programmes, and sanctions. However, the respite was short-lived. Fresh theaters of war have sprung up across the Middle East since the beginning of July, and the US resumed bombing Iran on 29 July.

- **The global picture shows that the world economy is resilient than feared.** A slew of current and lead indicators pointing to a mixed performance. While the global growth lost momentum, the broader economy continues to expand, albeit unevenly amid high volatile energy prices, costs pressure and supply chains disruption inflicted by the on-going Middle East conflict. The IMF has further lowered its 2026 global growth forecast by 0.1 percentage point to 3.0%, down from 3.5% in 2025, before projecting a recovery to 3.4% in 2027.

- **Both manufacturing and services purchasing managers' indexes (PMIs) remained in expansion territory**, but momentum softened in output and new orders. Manufacturing production and exports have been supported by front-loaded orders, inventory rebuilding, and supply risk hedging, while services are showing clearer signs of weak demand in Q2 compared with Q1.

- **Advanced economies demonstrated uneven performance in 1H 2026.** The US economy led major peers, registering an annualised GDP growth of 1.5% qoq in Q2 2026 (2.1% in Q1). This was supported by accelerated consumer spending (3.2% in Q2 vs. 0.5% in Q1) and AI-driven investments, partially offsetting by a decline in government spending and slower exports. Annual inflation rate accelerated to 4.2% in May, the highest since May 2023, on higher jump in energy costs (gasoline and fuel oil) as well as services inflation, before moderating to 3.5% in June.

- Growth in the euro area picked up to 1.0% yoy in Q2 2026 from 0.5% in Q1 (0.4% qoq in Q2 vs. zero in Q1), suggesting some resilience despite persistent geopolitical tensions and trade uncertainty. Japan's economic growth expanded an annualised 1.8% qoq in Q1, on weaker capital expenditure while private consumption remains steady. Japan remains vulnerable to energy shocks, and the risk of downturn remains if the Strait of Hormuz remains closed.

- China's economy lost momentum in Q2 2026, with GDP growth easing to 4.3% yoy (5.0% in Q1), as weaker manufacturing activity and subdued retail sales offset continued strength in technology-related sectors. However, challenges that remain are weak domestic consumption and a bifurcated economy. While the new and tech-driven economy heat up, the old economy remains sluggish, affecting jobs and suppressing retail sales. The government continued to grapple with persistent weakness in the property sector, as construction activity and real estate investment remained a major drag on growth. Fixed assets investment contracted by 5.7% yoy on a cumulative basis in 1H 2026, highlighting continued weakness in domestic investment demand.

- Global energy market remains volatile amid prices eased from recent high. Global oil prices (Brent spot price) have eased to a recent low of USD68.53 per barrel in early July, a significant pullback from the severe spikes to USD138.21 per barrel on 7 Apr 2026 during the peak of the Middle East conflict. However, as geopolitical tensions escalated, oil prices rebounded, moving back into the USD80 to USD90 per barrel range in late July.

- Despite the prices cooling off from the peak, global energy markets remain highly volatile, heavily influenced by the relentless geopolitical risks and risk premium, soft supply-demand fundamentals and rapid growth of clean energy generation.

- **Energy price shocks are a cost shock for producers and consumers.** Inflation concerns have resurfaced, and inflation expectations are rising, prompting central banks in advanced and emerging economies to reassess their monetary policy stance. Firms are facing higher fuel, transport and input costs, which often pass through into goods (especially food prices) and services prices, and imports costs, as well as generate a squeeze on households' purchasing power. Simultaneous costs pressure from the goods sector, strong labour growth and firmed wages as well as firms' pricing power could push core inflation higher.

- **Global central banks have pivoted toward hawkish monetary policy to combat renewed inflation.** While there is a global divergence, major central banks are adopting cautious, data-dependent stances. The European Central Bank (ECB) led the charge among major central banks in the developed world in hiking its interest rate (refinancing) by 25 basis points (bps) to 2.40% in June, to counter inflation while maintaining its hawkish stance, suggesting that the ECB will continue to adjust rates to anchor inflation expectations.

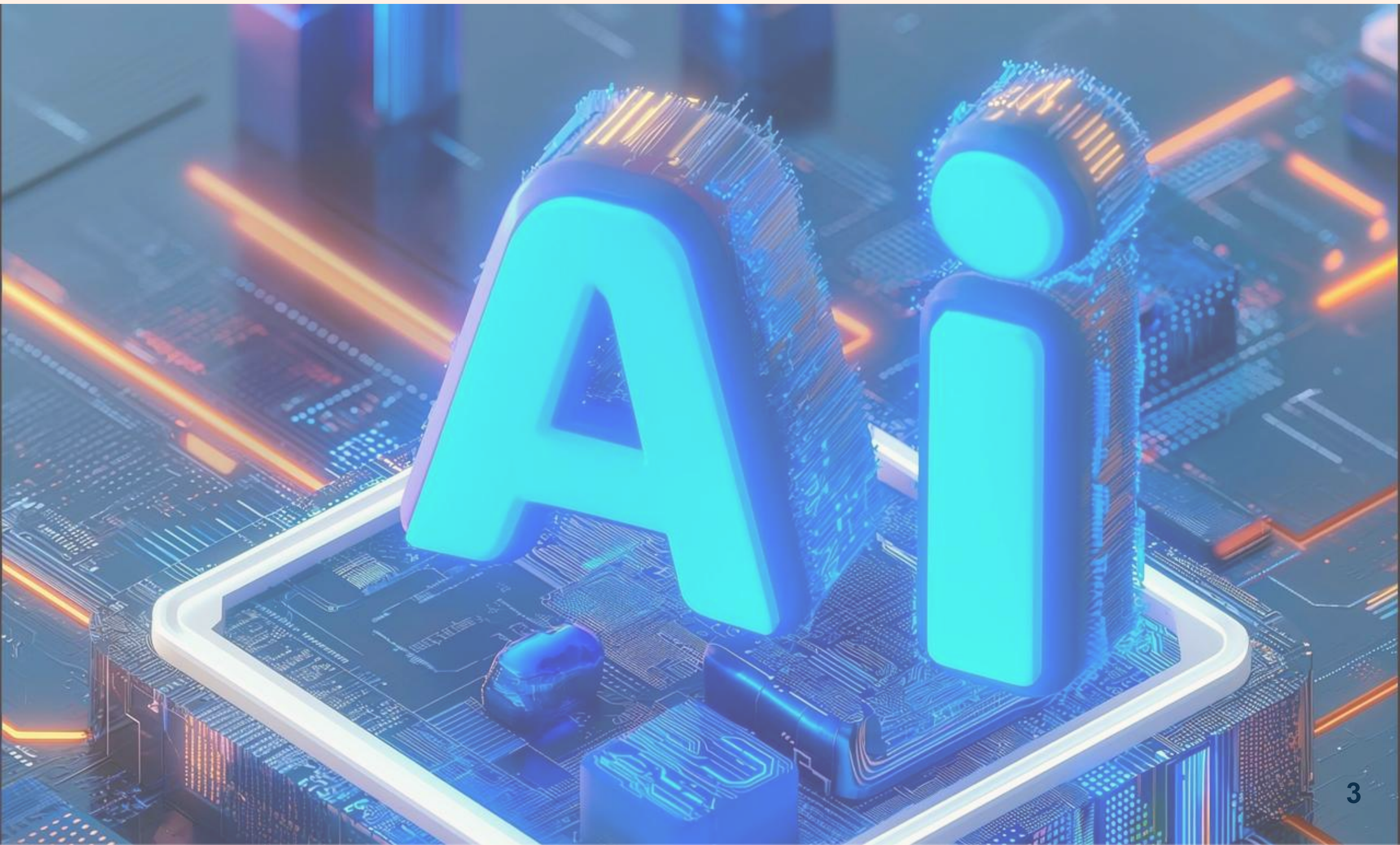
- The Bank of Japan (BOJ) raised its policy interest rate by 25bps to 1.0% in June, driven by rising wholesale inflation, imported energy costs, and the persistently weak Japanese yen hovering near the 160 per US dollar threshold.

- The Federal Reserve is expected to adopt "wait-and-see" approach, as it manoeuvres a delicate balancing act, torn between sticky inflation and resilient labour market. The Fed kept rates steady at the July 29 meeting, maintaining the fifth straight pause of the year. We expect the benchmark Federal funds rate to be held steady at 3.50% and 3.75% in Q2 and Q3 2026, and the Fed will probably start to hike interest rate on a measured pace in Q4 2026 and in early 2027 should headline inflation continue to run persistently above 2%.

- **A material shift in the US interest rates has immediate ripple effects across global markets, especially generate negative spillovers to emerging markets** — capital flows realignment, exchange rates depreciation due to an interest rate differential, and tighter financial conditions due to the strengthening of the US dollar and higher global risk premia as well as a higher debt service payment of the dollar-denominated debt.

- Two primary forces are currently driving aggressive monetary tightening among central banks in emerging markets. Firstly, the inflationary effects from the energy shocks, especially for those net importer of energy; and Secondly, sticky US inflation expectations lift the US Dollar Index outlook in anticipation of higher Fed fund rate ahead, forcing the central banks in emerging markets to tighten more in preventing their home currencies from a rapid depreciation and also to defend financial stability against global capital outflows.

- In conclusion, while the global economic momentum has softened in 1H 2026, a confluence of data shows that global economic activity will continue to expand at a moderate pace in 2H 2026, dismissing fears of a broad-based sharp economic deceleration or contractions.
- Assuming a credible US-Iran peace deal is successfully executed in Q3-Q4 2026, the navigation of global economy in 2H 2026 and beyond will pivot from extreme uncertainty and volatility to a fragile certainty amid the on-going geoeconomic fragmentation-induced volatility, shifting trade policies and frictions, inflation risks, artificial intelligence (AI) adoption, risk in global private credit markets and the central banks' delicate balancing act between ensuring price stability and sustaining economic growth.
- While the reopening of the Strait of Hormuz brings much-needed positivity to global energy security and supply chains, it is also important not to overlook the systemic vulnerabilities, damage repairs for oil infrastructure facilities, and the lingering compounding effects where sustain shipping delays will persist long after ships/vessels resume operation.
- While it is reckoned that AI drive increases in productivity, efficiency, and profits, one must be aware of the financial risks associated with AI, in terms of meeting expectations of high value creation impact (valuation vs. actual return on investment) and its potential disruptive forces on economic structures and labour displacement.
- Climate change remains one of the largest systemic risks to the global economy. As a powerful, or "super" El Niño is now highly probable for this year, lasting into 2027, there is a heightened risk of a shock to global food supply chains, disrupts global commodities and key cash crops. A double whammy impact is that this time round, El Niño will occur during an already a major fertiliser shortage caused by the Middle East conflict.



Global Economic and Monetary Conditions

Real GDP growth (%, Year-on-Year)

	2024	2025	2025 Q1	2025 Q2	2025 Q3	2025 Q4	2026 Q1	2026F (IMF)	2026F (WB)
World	3.5	3.5	N/A	N/A	N/A	N/A	N/A	3.0	2.5
United States	2.8	2.1	2.0	2.1	2.3	2.0	2.7	2.3	2.2
Euro Area	1.0	1.2	1.6	1.4	1.2	1.1	0.5	0.9	0.8
China	5.0	5.0	5.4	5.2	4.8	4.5	5.0	4.6	4.2
Japan	-0.2	1.1	1.5	1.9	0.5	0.3	0.4	0.6	0.7
India	7.1	7.7	7.0	6.8	8.3	8.0	7.8	6.4	6.6
Malaysia	5.2	5.2	4.4	4.6	5.3	6.2	5.4	4.7	4.4
Singapore	5.3	5.0	4.5	5.4	4.5	5.7	6.3	3.5	N/A
Indonesia	5.0	5.1	4.9	5.1	5.0	5.4	5.6	5.0	5.0
Thailand	2.9	2.4	3.1	2.8	1.2	2.5	2.8	1.9	1.7
Philippines	5.7	4.4	5.4	5.4	4.0	3.0	2.8	3.9	3.7
Vietnam	7.1	8.0	7.1	8.2	8.3	8.5	7.9	7.1	6.8

Note: World GDP growth for 2024-2025 by IMF; Annual GDP for India is on fiscal year basis; N/A = Not applicable or not available.

Source: Officials (unadjusted data except quarterly GDP for Euro Area); IMF (World Economic Outlook); World Bank (Global Economic Prospects)

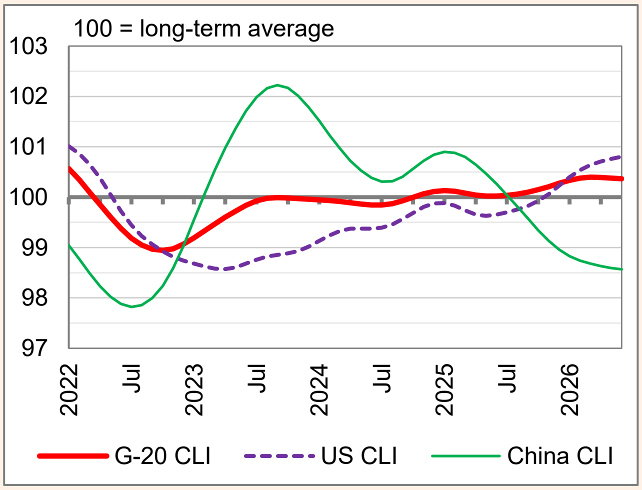
Policy rate (%)

End-period of	2019	2020	2021	2022	2023	2024	2025	2026 (Jun/Jul)	2026F
US, FED Federal Funds Rate	1.50-1.75	0.00-0.25	0.00-0.25	4.25-4.50	5.25-5.50	4.25-4.50	3.50-3.75	3.50-3.75	3.75-4.00
Euro Area, ECB Deposit Facility	-0.50	-0.50	-0.50	2.00	4.00	3.00	2.00	2.25	2.50
Japan, BOJ Overnight Call Rate	-0.10	-0.10	-0.10	-0.10	-0.10	0.25	0.75	1.00	1.00-1.25
China, PBC 1-Year Loan Prime Rate	4.15	3.85	3.80	3.65	3.45	3.10	3.00	3.00	3.00
UK, BOE Bank Rate	0.75	0.10	0.25	3.50	5.25	4.75	3.75	3.75	3.75-4.00
Australia, RBA Cash Rate	0.75	0.10	0.10	3.10	4.35	4.35	3.60	4.35	4.35-4.60
India, RBI Policy Repo Rate (LAF)	5.15	4.00	4.00	6.25	6.50	6.50	5.25	5.25	5.25
Korea, BOK Base Rate	1.25	0.50	1.00	3.25	3.50	3.00	2.50	2.75	3.00-3.25
Malaysia, BNM Overnight Policy Rate	3.00	1.75	1.75	2.75	3.00	3.00	2.75	2.75	2.75
Indonesia, BI BI-Rate	5.00	3.75	3.50	5.50	6.00	6.00	4.75	5.75	6.00-6.25
Thailand, BOT 1-Day Bilateral Repo Rate	1.25	0.50	0.50	1.25	2.50	2.25	1.25	1.00	1.00
Philippines, BSP Target RRP Rate	4.00	2.00	2.00	5.50	6.50	5.75	4.50	4.75	4.75

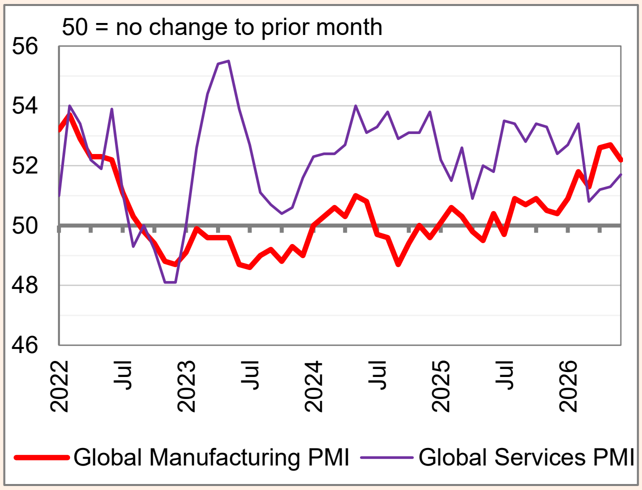
Source: Officials; SERC's forecast

Global Current and Forward Indicators

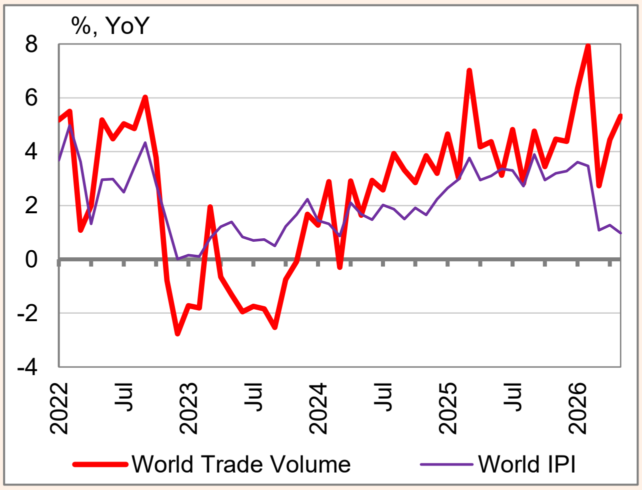
OECD CLIs suggest the growth divergence between the US and China



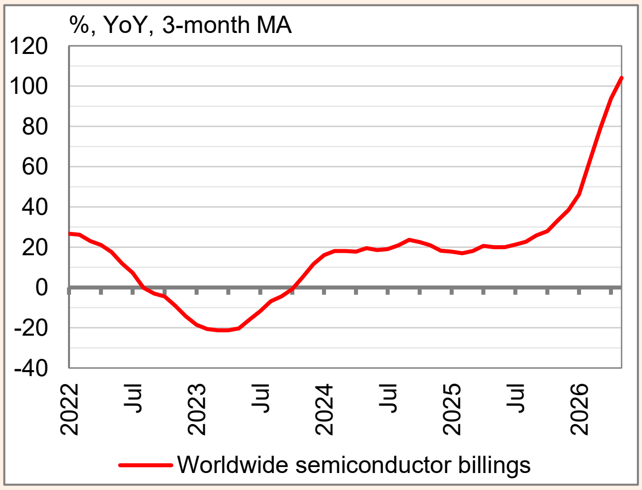
Global manufacturing PMI may have passed its peak



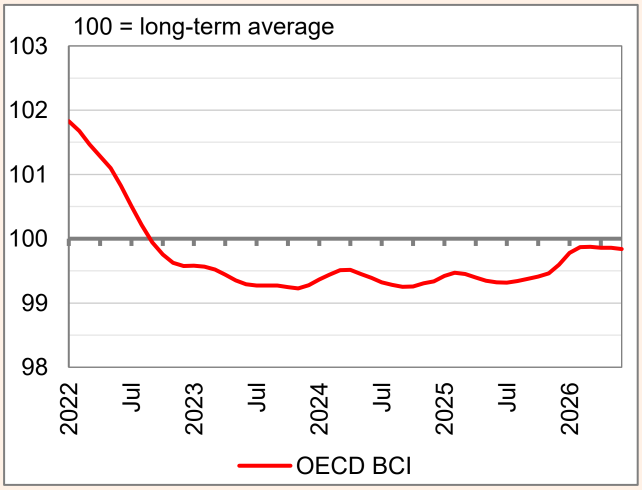
Global industrial production growth moderated sharply



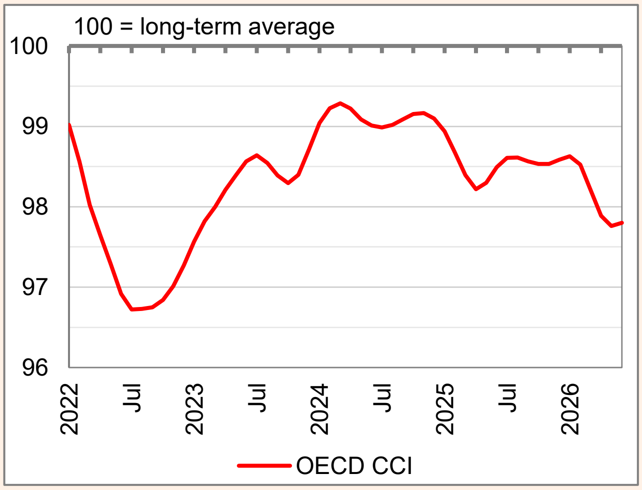
Global semiconductor sales entered triple-digit yoy growth territory in May



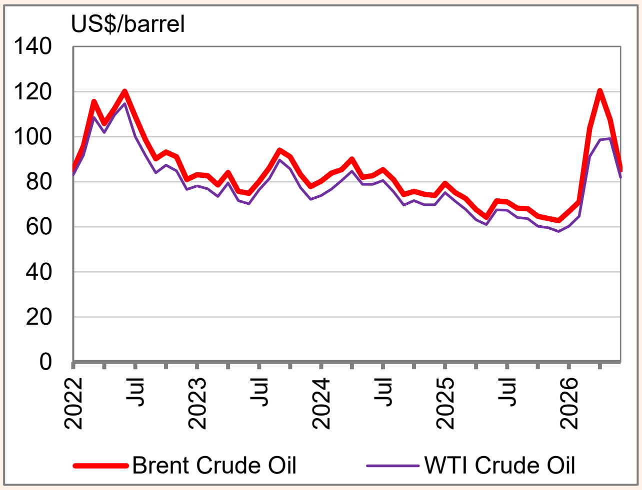
OECD Business Confidence Index



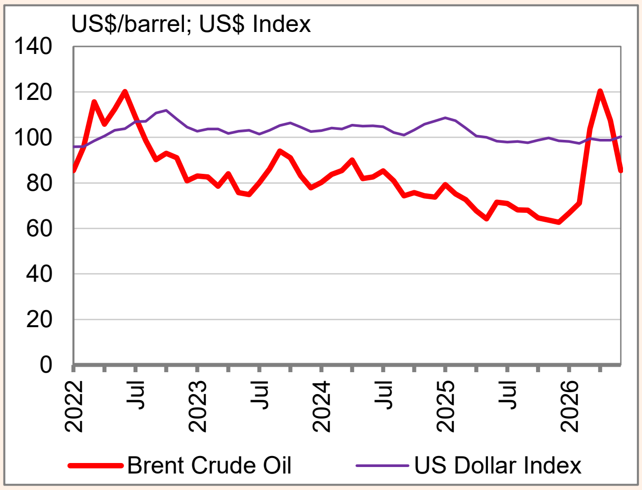
OECD Consumer Confidence Index



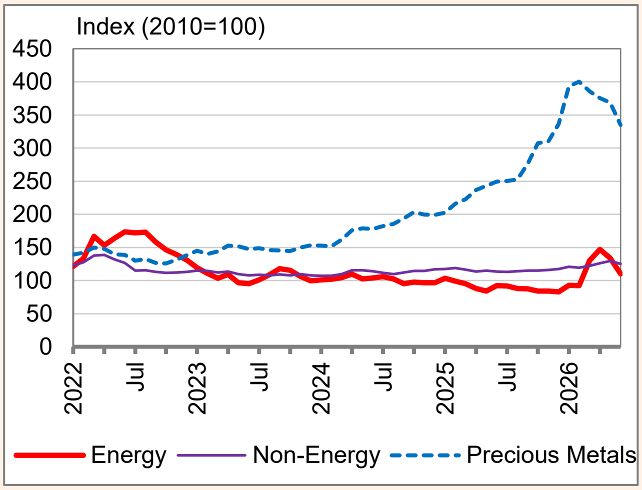
Crude oil prices moderated, but remain volatile amid shifting tensions



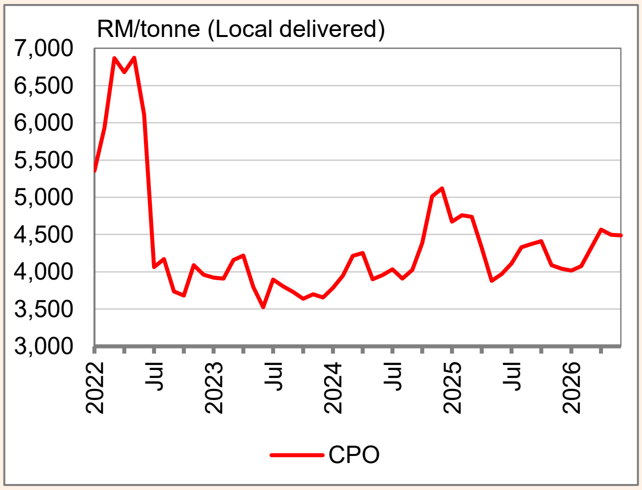
Brent crude oil price vs. the US dollar index



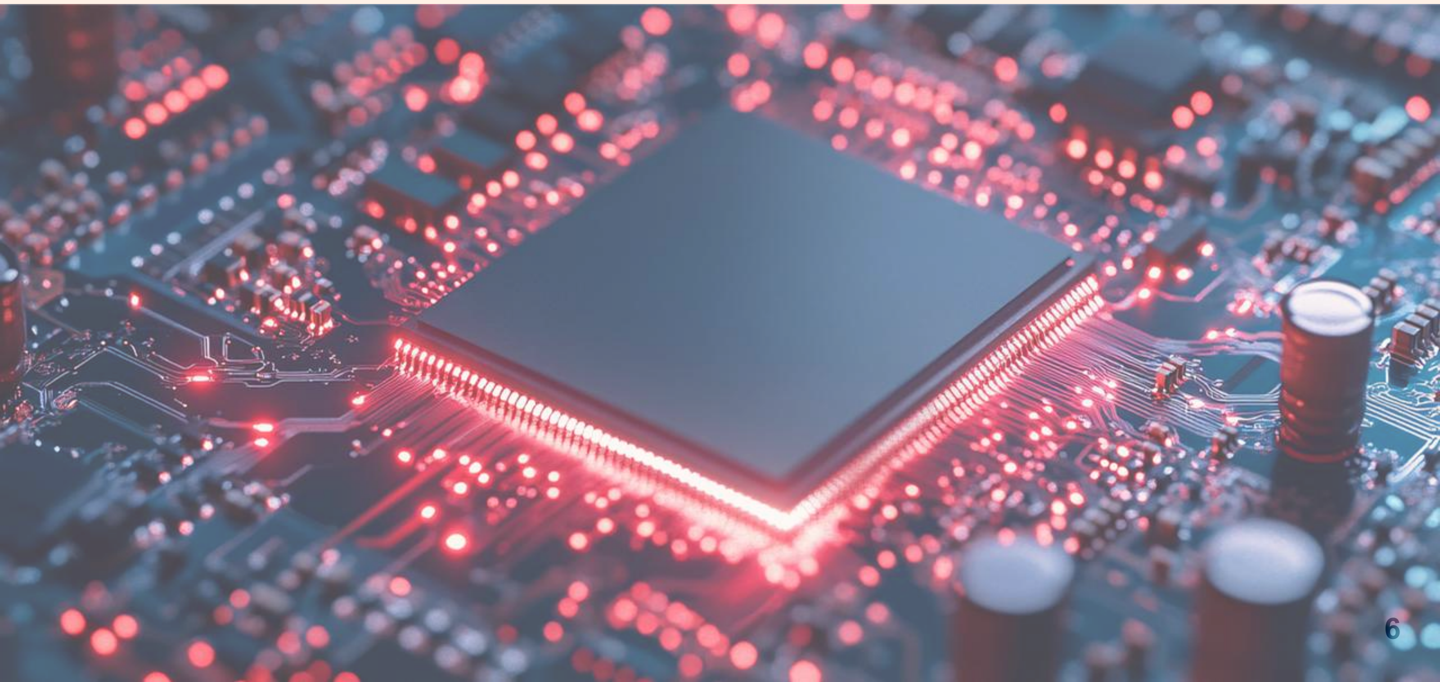
Commodity prices eased from the peak, yet still remains elevated



Crude palm oil prices averaged at RM4,360 per tonne in Jan-Jun 2026

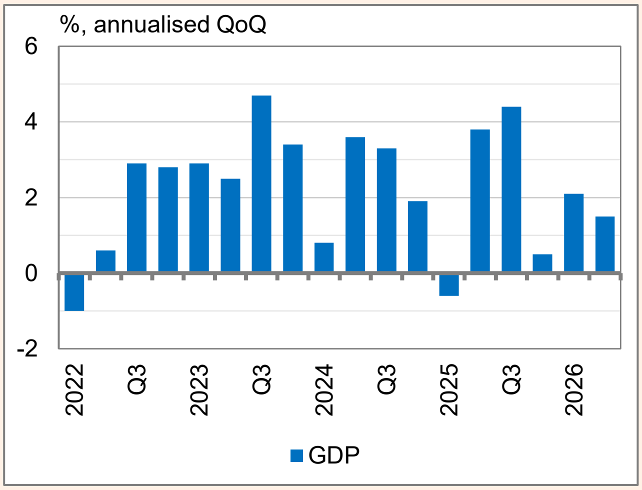


Source: Organisation for Economic Co-operation and Development (OECD); S&P Global; CPB Netherlands Bureau for Economic Policy Analysis; Worldwide Semiconductor Trade Statistics (WSTS); World Bank; The Wall Street Journal; Malaysian Palm Oil Board (MPOB)

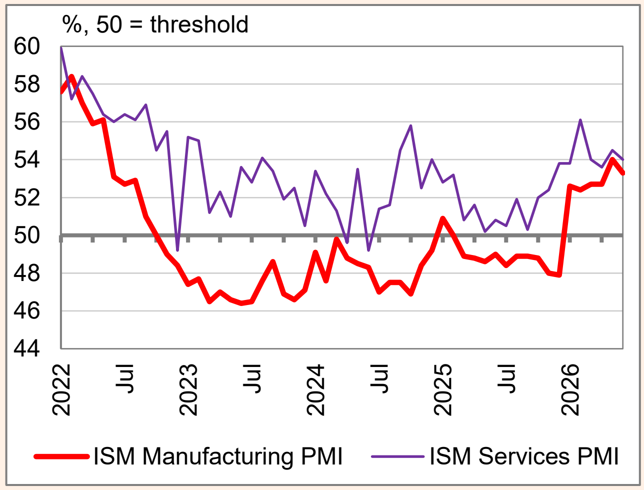


The US: Inflation remains elevated

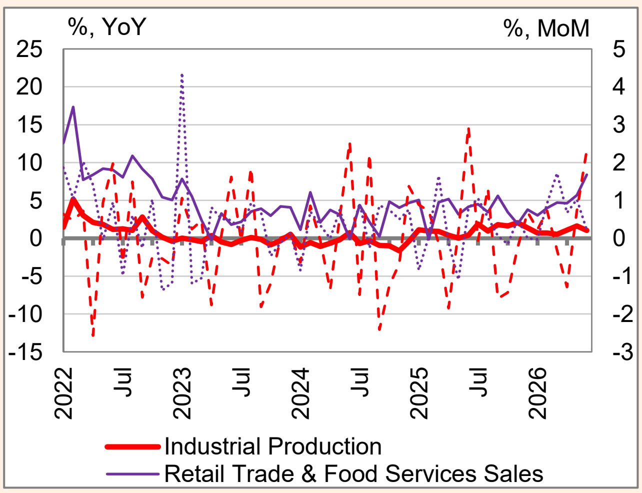
Q2 GDP growth slowed even as consumer spending accelerated



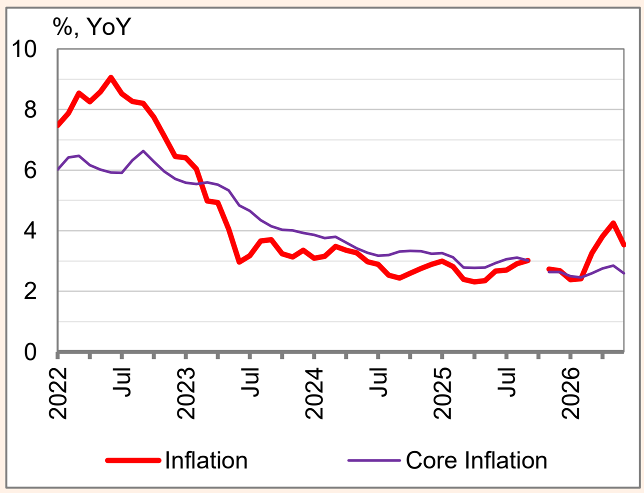
Manufacturing PMI in Jun indicates continued expansion



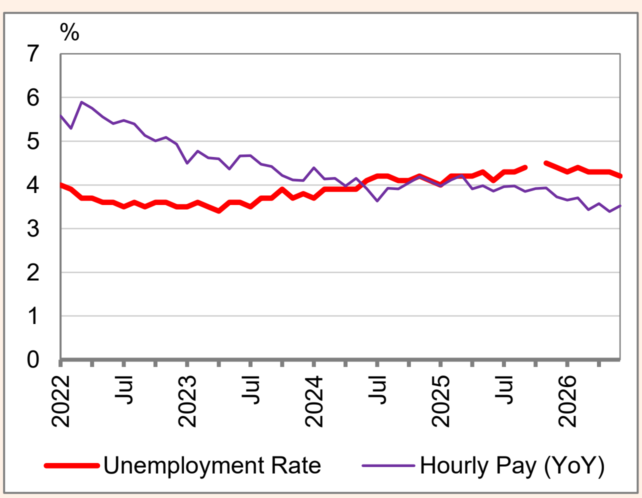
Industrial production and retail sales growth in different direction



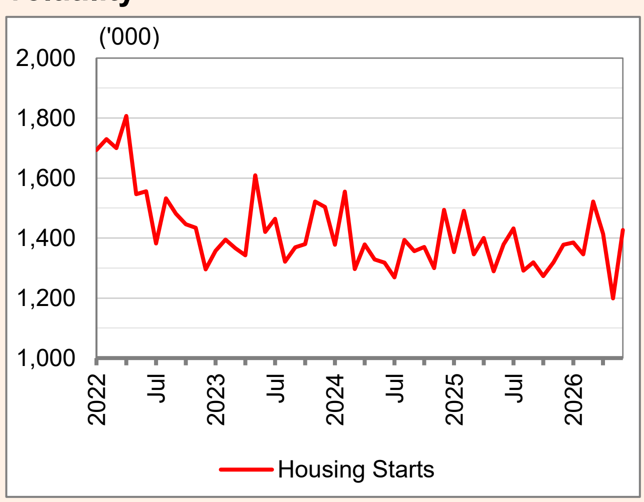
Surging energy prices pushed up headline inflation in Q2



Unemployment rate improved to an 11-month low of 4.2% in Jun



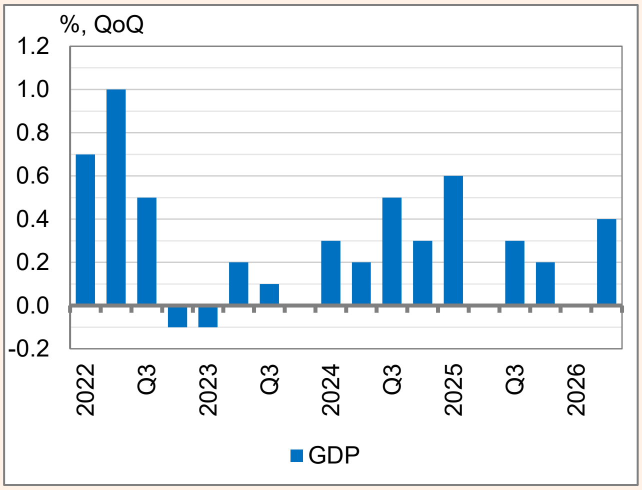
Housing starts showed significant volatility



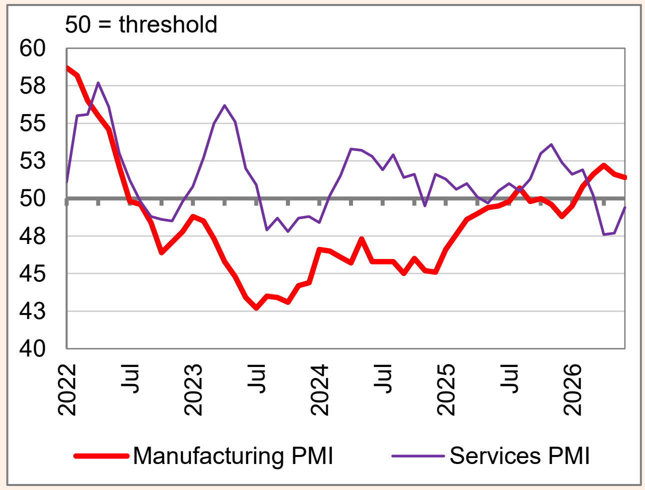
Source: Bureau of Economic Analysis (BEA); Institute for Supply Management (ISM); Federal Reserve System; US Census Bureau; US Bureau of Labor Statistics Note: Some data are missing due to a lapse in appropriations.

Euro Area: Cautious growth prospects

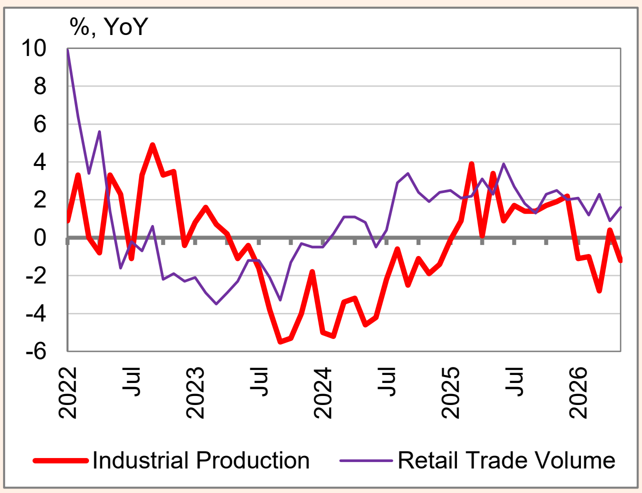
Euro area GDP picked up in Q2



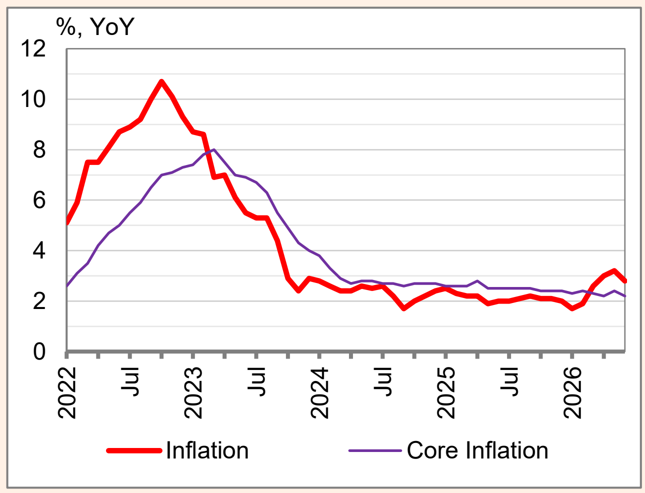
Services PMI in Jun fell in contractionary territory for the third straight month



Industrial output remained sluggish

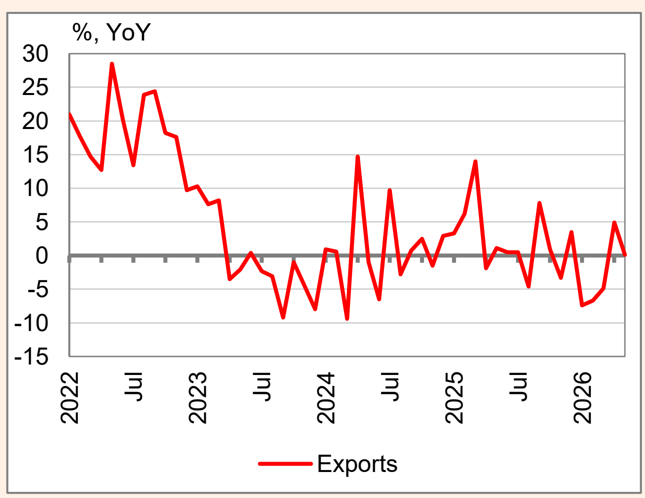


Headline inflation rate picked up in Apr-May before moderating in Jun



Unemployment rate eased back towards its recent low

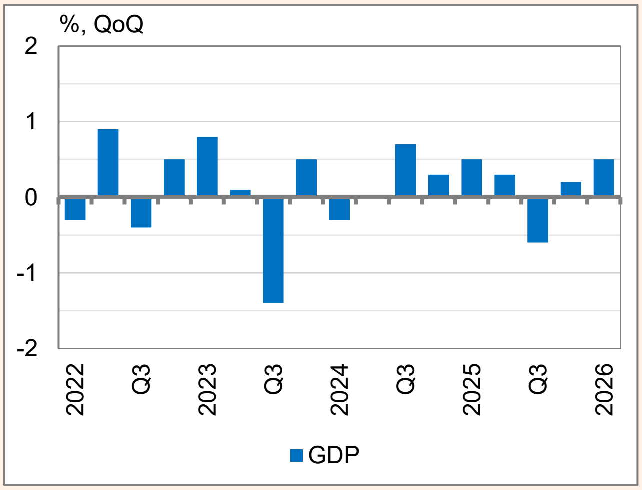
External demand remained uneven



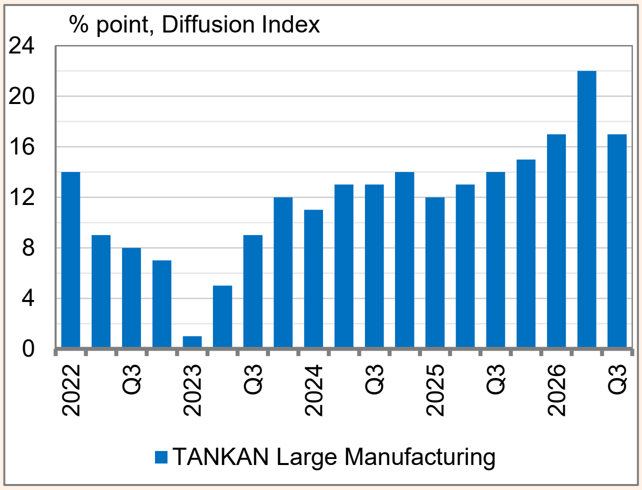
Source: Eurostat; S&P Global

Japan: Softer growth outlook

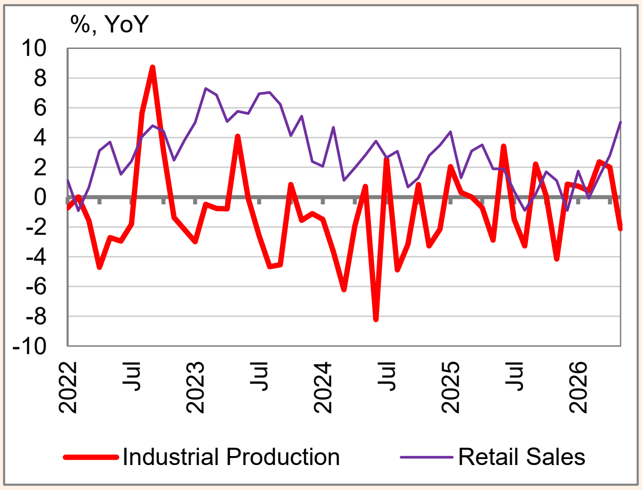
The Japanese economy remains vulnerable to energy disruptions



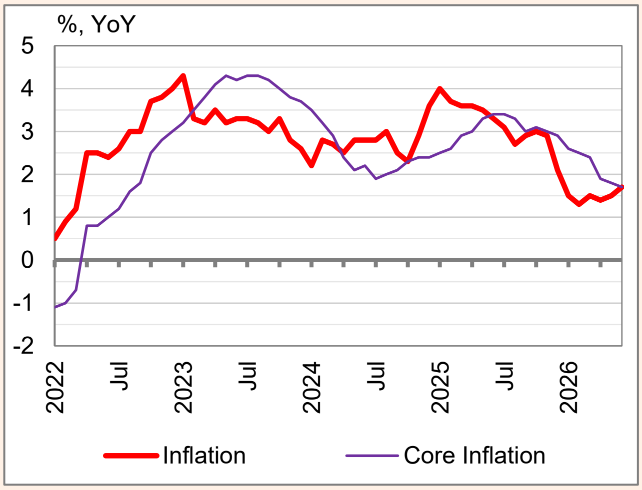
TANKAN survey signals manufacturing activity in Q3 not as strong as in Q2



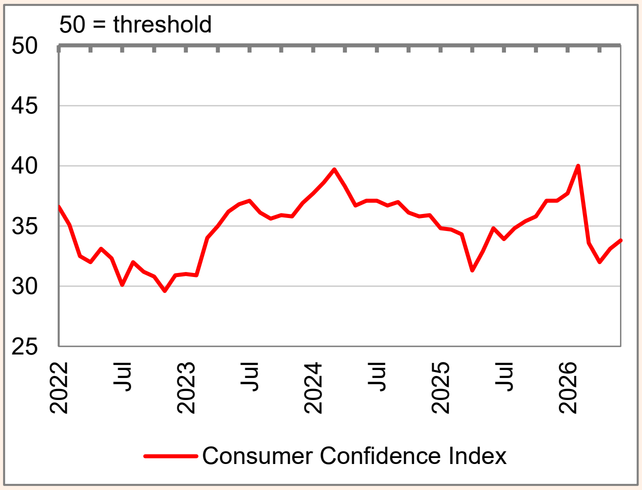
A growth divergence between retail sales and industrial production in May



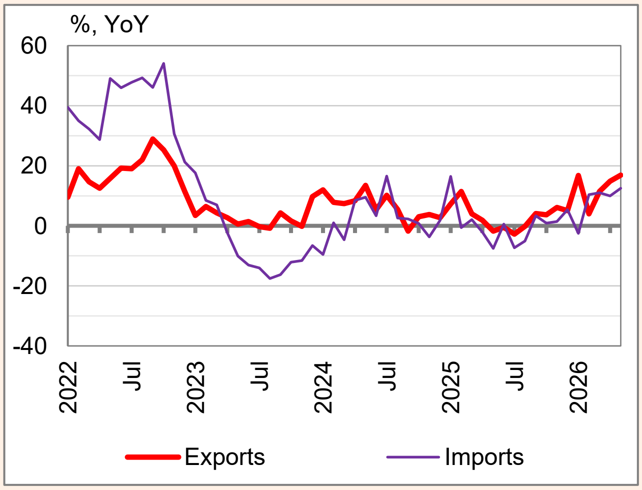
While headline inflation rebounded, core inflation continued to trend lower



Consumer confidence improved in Q2, albeit modestly



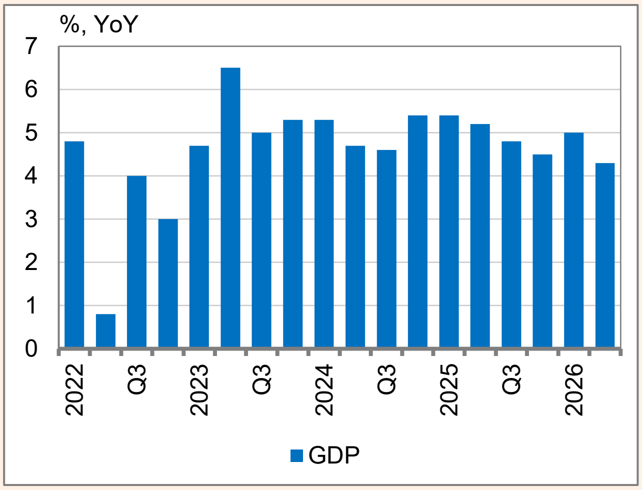
Export growth accelerated, rising by 12.6% yoy in Jan-May



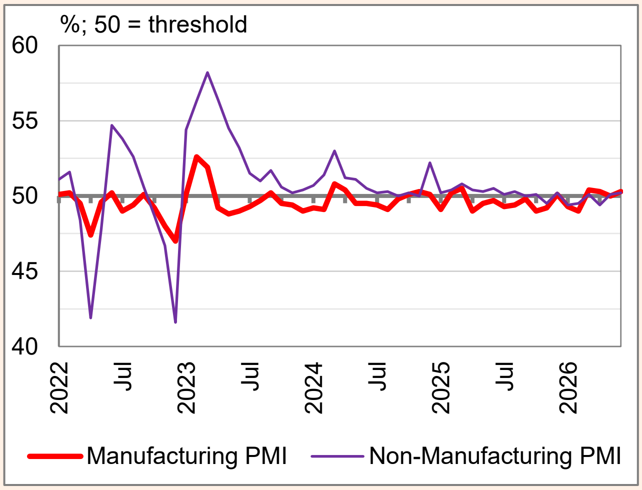
Source: Economic and Social Research Institute (ESRI), Cabinet Office of Japan; Bank of Japan (BOJ); Ministry of Economy, Trade and Industry (METI), Japan; Statistics Bureau, Japan; Japan Customs

China: Losing momentum

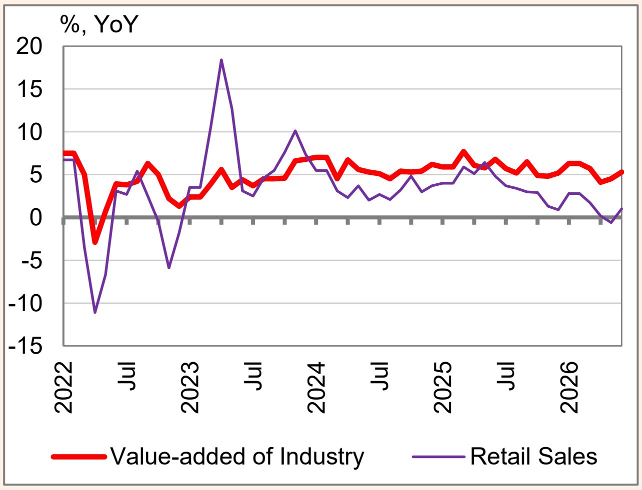
GDP growth in Q2 marked the weakest performance since late 2022



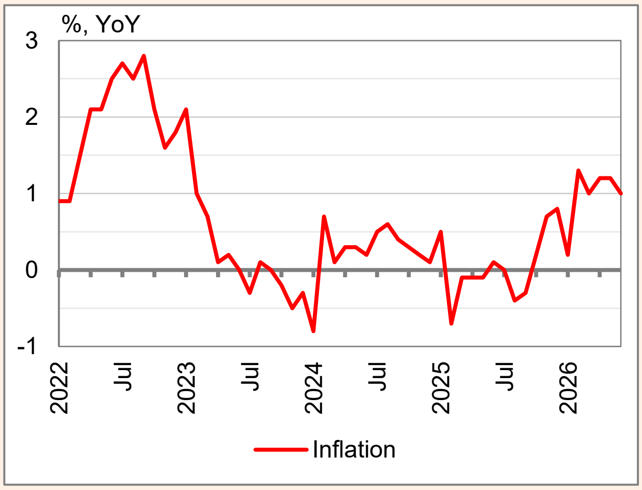
Both manufacturing and services PMI hovered just above the threshold in Jun



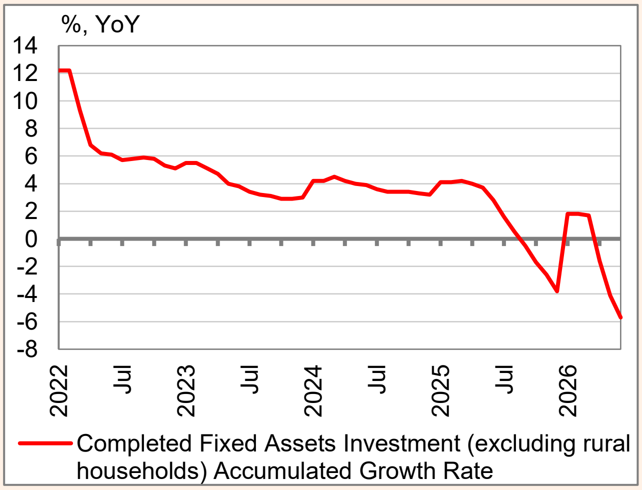
Weak consumption weighed on retail sales



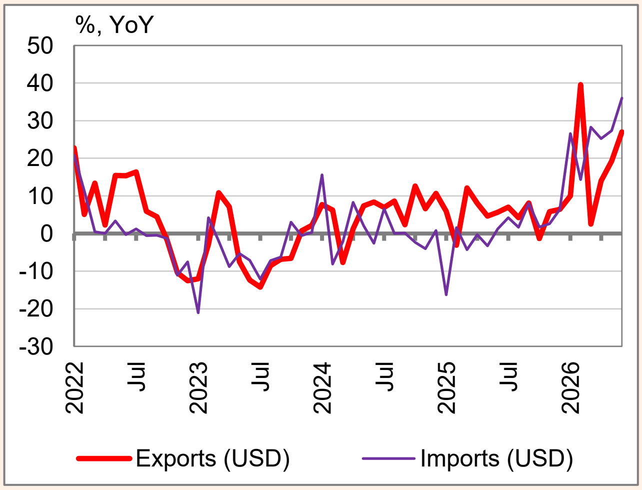
Overall inflation remained moderated



Fixed investment declined sharply



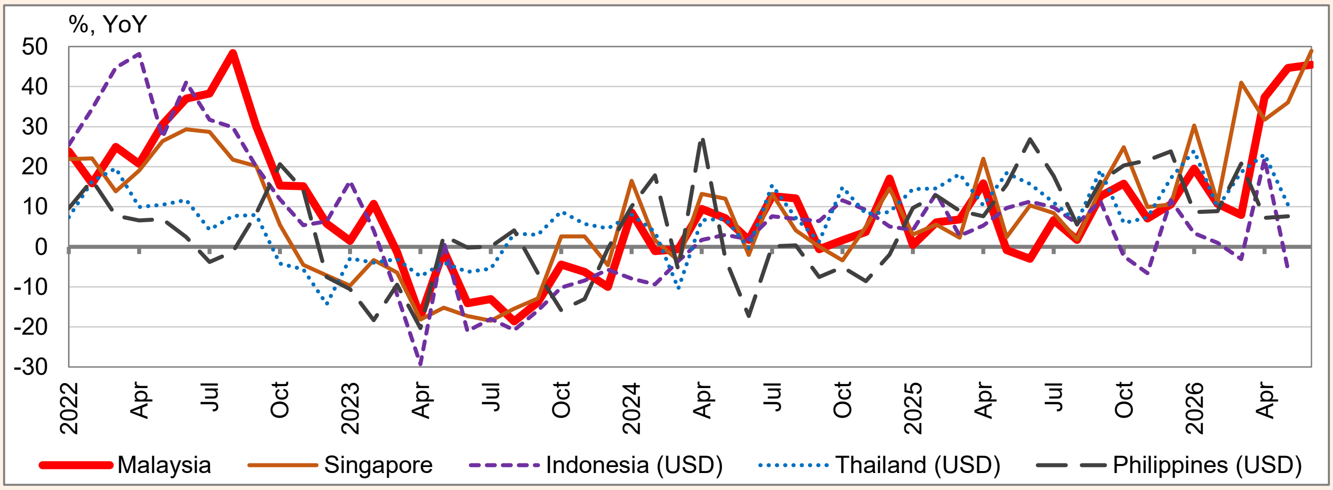
Exports hit record USD412.4bn in Jun, driven by AI and high-tech demand



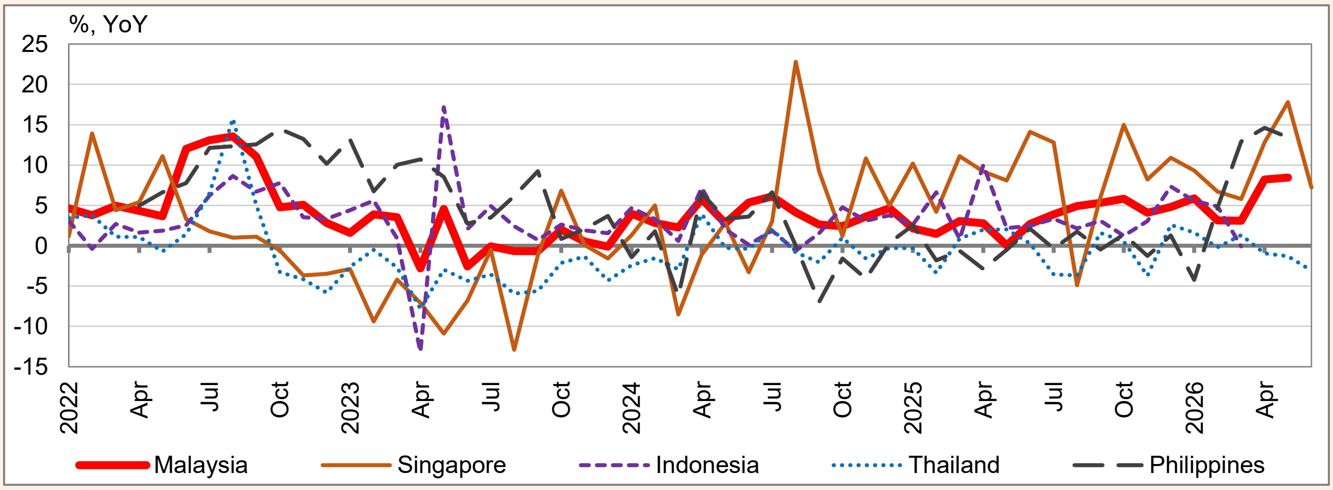
Source: National Bureau of Statistics of China; General Administration of Customs, China

ASEAN Key Economic Indicators

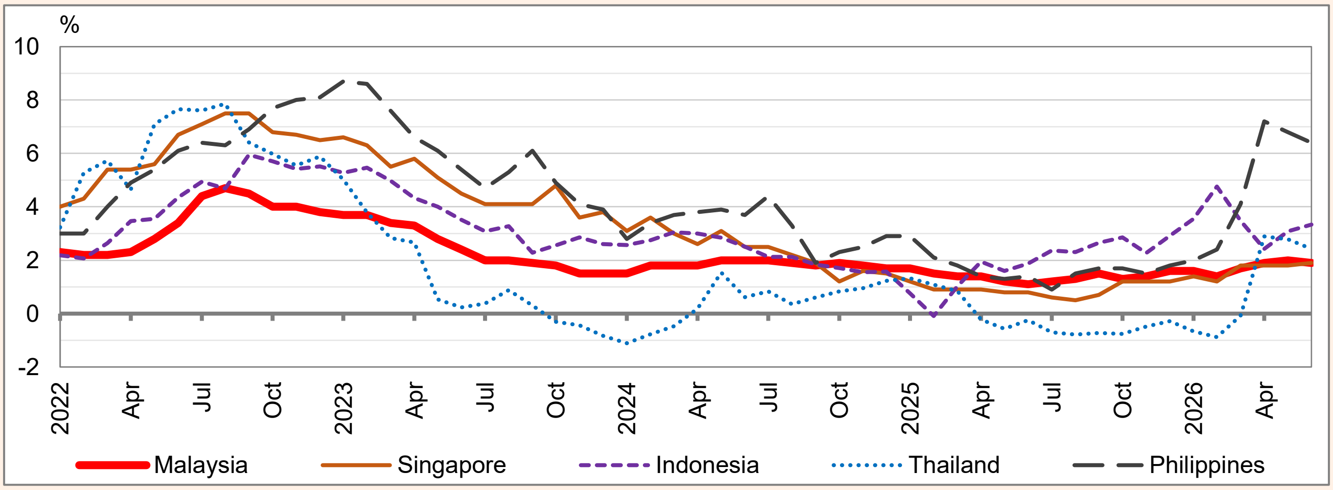
Export growth trend



Industrial production growth trend



Inflation trend



Source: Department of Statistics, Malaysia; Singapore Department of Statistics; Statistics Indonesia; Bank Indonesia; Office of Industrial Economics, Thailand; Ministry of Commerce, Thailand; Philippine Statistics Authority

Note: Industrial production growth for the Philippines only showed from April 2022 due to exceptional data prior to that.

THE MALAYSIAN ECONOMY RESILIENCE TESTED

- During the initial weeks and months of global oil shock inflicted by the US-Iran military conflict, businesses sentiment were badly shaken and immediate concerns were the impact on global energy prices, supply chain disruptions (the shortage of raw materials), logistics costs, and knock-on effects on businesses (via increasing production costs) and households (via consumer inflation).

- The economic impacts were highly asymmetric, with industries relying on raw material imports, supply chain reliance, and high transport costs, particularly consumer-facing industries, facing rising operational risks.

- Many industry stakeholders, chambers and trade groups through channel checks, ad-hoc surveys and members' feedback have highlighted major vulnerabilities --- escalating operating costs, cash flow tightness, and supply chain instability.

- Energy shocks-related disruptions primarily triggered direct cost pressures and broader economic repercussions, creating compounding challenges for both households and businesses. Some selected industries indicated that raw materials costs have increased significantly by between 10% and 140% during the height of energy prices volatility.

- Manufacturers have begun to raise prices once old, cheaper inventory is depleted as they face higher replenishment costs as the full impact of the cost increases materialise during the months of June and July.

- **What the high frequency economic data shows?** While the economy is seemingly enduring the war shock so far, yet cautious consumer discretionary spending, a strained business environment. There is a mixed performance among the sectors, featuring the K-shaped economy – growth differentials between the high-technology export-oriented and domestic industries, between large companies and SMEs, as well as between low and middle-income and high-income households.

- **Drivers of Malaysia's economic resilience so far.** An advanced estimate showed that real GDP growth expanded higher by 5.8% yoy in Q2 2026 (5.4% in Q1). The services sector growth eased a little to 5.4% in Q2 from 5.6% in Q1. In contrary, the manufacturing sector expanded at a much stronger pace at 7.5% in Q2 (5.9% in Q1), largely supported by the export-oriented industries like electrical products and electronics (E&E). Growth in the manufacturing sector and exports were boosted by the front-loading activities and orders, rebuilding depleted inventory buffers, and hedging against the supply chain disruptions caused by the Middle East conflict.

- Robust export growth (+42.4% yoy in Q2 vs. 12.6% in Q1; 27.5% in 1H 2026) was primarily propelled by sustained strong demand of the E&E products, semiconductor applications, and artificial intelligence (AI) tech segment as well as petroleum products. The E&E exports surged by 42.5% in Jan-Jun 2026. Global tech shipments of memory chips and AI related products are likely to continue growing amid an increasing portion of export growth stems from price increases rather than the volume expansion.

- The Industrial Production Index jumped higher in Apr-May (8.2% yoy in April and 8.4% in May vs. 4.0% in Q1 2026), with the manufacturing sector accelerating to average 7.4% (5.7% in Q1). The export-oriented industries climbed 8.8% in May, primarily driven by computer, electronics and optical products, coke and refined petroleum products as well as machinery and equipment. In contrary, the domestic-oriented industries grew by merely 2.0% in May, with significant contractions in manufacture of motor vehicles, trailers and semi-trailers. The S&P Global Malaysia Manufacturing PMI remained uneven, fluctuating between 49.3 and 51.6 in Jan-Jun 2026.

- Manufacturing sales expanded by 9.1% yoy in April and 8.9% in May (5.4% in Q1), driven largely by strong external demand for the E&E as well as coke and refined petroleum products, and rebounding domestic-oriented industries such as non-metallic mineral products, basic metal and fabricated metal products.

- The wholesale and retail trade sector surged by an average of 13.1% yoy in Apr-May (7.4% in Q1), largely due to an average 21.2% increase in the wholesale trade and 6.7% increase in retail sales. Faced with global supply chain uncertainties and rising costs, retailers and businesses are undertaking precautionary hoarding inventory, and higher inputs prices have inflated the wholesale order volume and sale value.

- The Malaysia Retail Chain Association (MRCA) and Malaysia Retailers Association (MRA) have pared down the full-year 2026 retail growth forecast from 4.0% to 3.8%, reflecting a highly cautious consumer spending landscape and reduced purchasing power. Retail Group Malaysia (RGM) reported a 3.7% growth in retail sales in Q1, fell short of initial expectations of 4.4%. According to RGM, growth across retail sub-sectors was highly mixed in Q1, with subdued or moderate growth in the department stores (+0.3%), supermarket and hypermarket sales (+1.4%) while specialty stores declined sharply by 16.5%, and personal care (-0.7%).

- **There are signs of softer hiring momentum**, which saw the unemployment rate inched slightly to 3.0% in Apr-May from 2.9% throughout Nov 2025-Mar 2026. Reported job losses rose to 7,766 employees in May 2026 and 8,100 in June (7,162 jobs in April and 5,855 in March) though it had fallen off from the peak of 10,658 in January, largely due to downsizing and business closures, as well as constructive dismissals.

- While the headline employment statistics remains stable, a structural skills mismatch heavily impacts young graduates who are forced to accept jobs below their qualification level. As of Q1 2026, 39.7% of tertiary-educated workers aged 25-34 are in jobs below their skill level. Manufacturing wage per employee growth remains moderate between 1.1% and 1.8% in May, lagging behind headline inflation, resulting in negative real wage growth.

- Higher energy prices related costs across global supply chains are severely testing the wholesale and consumer inflation pipeline. After caught in price deflation for more than a year, the Producer Price Index (PPI) reversed to increase rapidly by 9.2% yoy in June (7.8% in May, 7.4% in Q2 vs. -1.7% in Q1), driven by a massive spike in energy costs, embedded distribution costs and rising raw materials cost are actively forcing producers to pass operational friction directly onto consumers.

- Consumer inflation also picked up from 1.4% yoy in February to 2.0% in May, making it the fastest pace in nearly two years, due to higher food prices and continued price increases in transportation, information and communication costs. In June 2026, headline inflation eased a little to 1.9%. Amid the targeted subsidy programs for RON95 and diesel buffer consumers against fuel spike, headline inflation is expected to increase higher in 2H 2026 as businesses pass higher operational costs onto consumers. The primary driver of higher headline inflation reading closer to 2.5% in 2H will be food prices due to a probable Super El Nino weather phenomenon that threatens agricultural harvests and supply.

- For now, the economic data shows that the domestic economy is so far weathering the oil shock, albeit having disproportionate impact on some industries, especially micro and SMEs.

- While Malaysia can avoid a sharp economic slowdown going into 2H 2026, but not complacency. Going into 2H 2026, restocking activities and inventory accumulation are expected to slow down as the current surge in wholesale and manufacturing orders is largely a front-loaded response to supply chain risks. There remain positive drivers and negative drags for the domestic economy.

- **Firstly, staying high alert on the on-going war between the US and Iran, pending the successful execution of both countries' ceasefire peace deal.** There remain growing concerns about high and volatile oil and gas prices as well as lingering disruption pressures on global supply chains. The Government has reassured that fuel supplies would remain stable and sufficient until December.

- **Secondly, the US trade frictions remain highly active as it continues to ramp up tariffs and export controls, particularly under broader Section 301.** These policies target strategic sectors like high-tech industries and manufacturing, aiming to counter unfair global forced labour allegations and excess capacity. The US has proposed new tariffs ranging from 10% to 12.5% on imports from 60 economies, including Malaysia over forced labour failures. The Trump administration has also threatened new tariffs on the EU and potential trade action over regulatory fines imposed on US technology companies.

- **Thirdly, a high probability that the El Niño event will strengthen significantly toward end-2026**, with an estimated 63% chance of escalating into a "very strong" or potentially "super" El Niño between November 2026 and January 2027. Malaysia, being a net importer of food, strong El Niño conditions combined with the Middle East conflict inflicted agricultural inputs disruption will cause severe food-supply shocks.

- **Fourthly, global financial market volatility, triggered by the persistent geopolitical risks and the Fed's monetary pivot to tame high inflation risk.** Global equity investors' strong enthusiasm and increasingly concentrated in technology and artificial intelligence-related sectors, raising questions about the valuation sustainability. Hence, markets may become more sensitive to earnings disappointments and liquidity shifts as well as waning risk appetite conditions.

- **Fifthly, consumer sentiment remains highly cautious due to rising inflation risk and costs of living**, with the households are managing their budgets, prioritising daily essentials and value-for-money goods over discretionary purchases, to stretch their spending power. Private investment and business spending have indeed turned cautious due to lingering global uncertainties and escalating cost pressures.

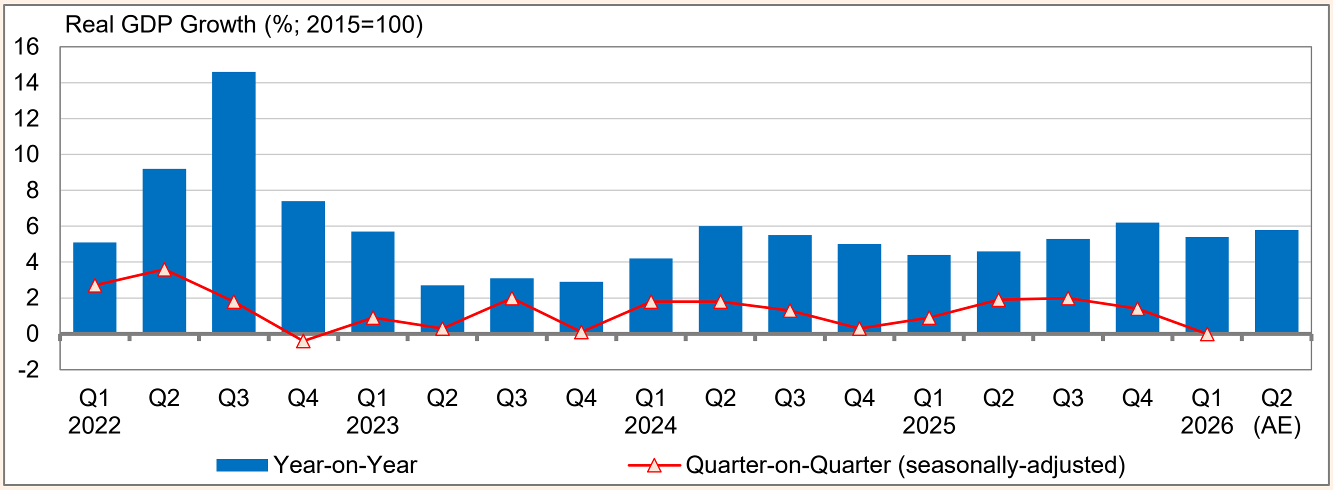
Real GDP growth (%, Year-on-Year)

Economic Sector [% share to GDP in 2025]	2024	2025	2025 Q3	2025 Q4	2026 Q1	2026 Q2*	2026F (SERC)	2026F (BNM)
By kind of economic activity								
Agriculture [6.1%]	3.4	2.2	0.2	5.7	2.6	3.7	-2.0	-1.0
Mining & Quarrying [5.7%]	1.2	0.6	9.4	1.4	-2.1	10.2	3.0	-1.2
Manufacturing [23.0%]	4.2	4.5	4.1	6.0	5.9	7.5	6.5	4.3
Construction [4.3%]	17.6	12.2	11.7	10.9	7.7	6.6	6.8	9.1
Services [59.5%]	5.4	5.4	5.3	6.2	5.6	5.4	5.4	5.2
By type of expenditure								
Private Consumption [60.5%]	4.8	5.3	5.8	5.6	4.7	N/A	4.8-5.0	5.0
Public Consumption [13.3%]	4.6	5.3	5.8	6.6	4.1	N/A	4.3	4.9
Private Investment [17.2%]	12.4	9.4	7.4	9.2	7.8	N/A	7.0	7.5
Public Investment [5.1%]	11.1	10.3	7.5	9.5	5.3	N/A	7.2	7.3
Exports of Goods and Services [68.1%]	8.6	4.9	4.6	6.3	5.2	N/A	21.9	2.8
Imports of Goods and Services [64.8%]	8.7	6.3	3.0	9.0	4.6	N/A	15.5	4.3
Overall GDP	**5.2**	**5.2**	**5.3**	**6.2**	**5.4**	**5.8**	**5.0-5.2**	**4.0-5.0**

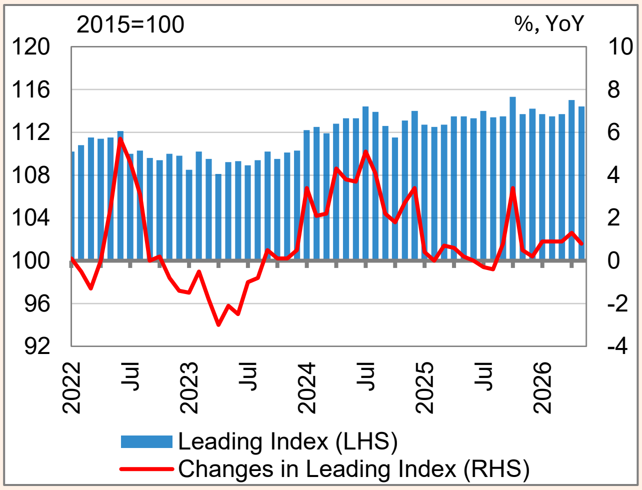
Source: Department of Statistics, Malaysia (DOSM); Ministry of Finance (MoF); SERC estimates and forecast
* Advance estimates

Spotlight on the Malaysian Economy

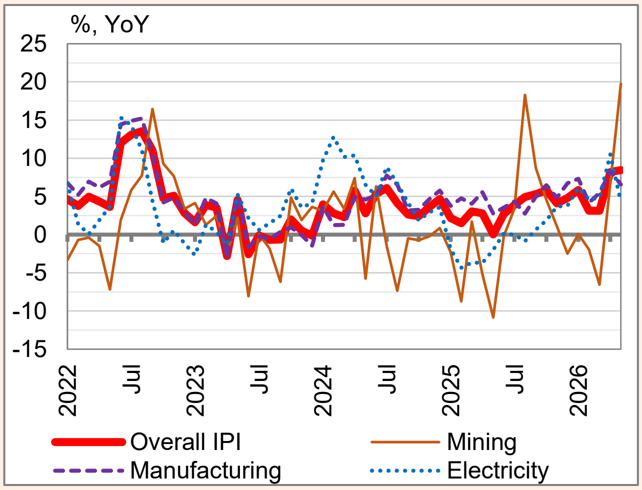
Malaysia's economy is estimated to have expanded 5.8% yoy in Q2 2026 (advance estimate), driven by manufacturing, lifting 1H 2026 growth to 5.6%.



Leading Index (LI) suggests that Malaysia's economy will remain resilient

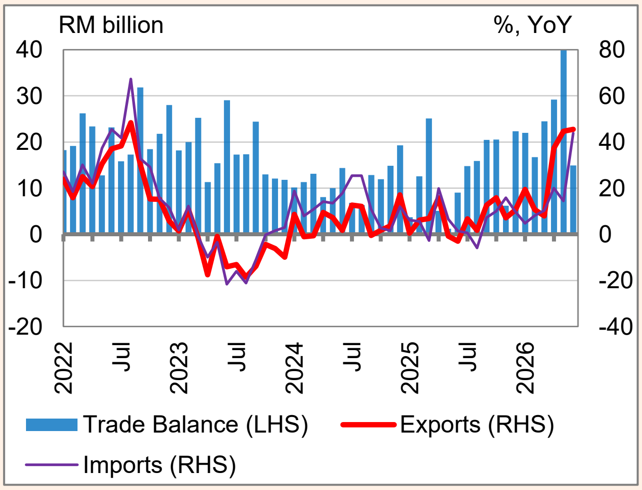


Industrial production stayed firm in Apr-May, led by manufacturing and mining

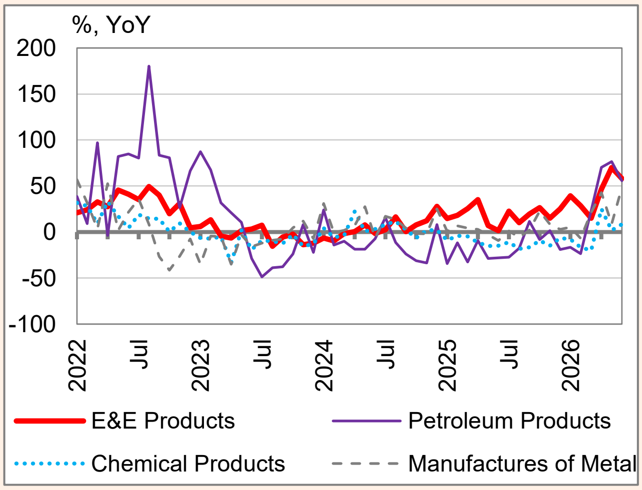


External Sector

Exports surged 42.4% yoy in Q2, underpinned by E&E products

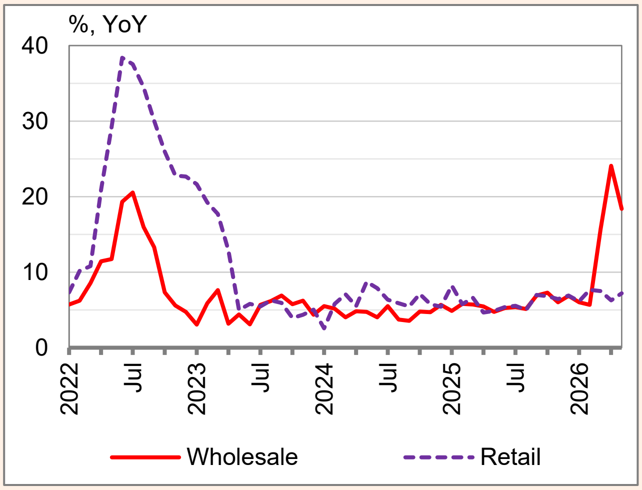


Exports by major products

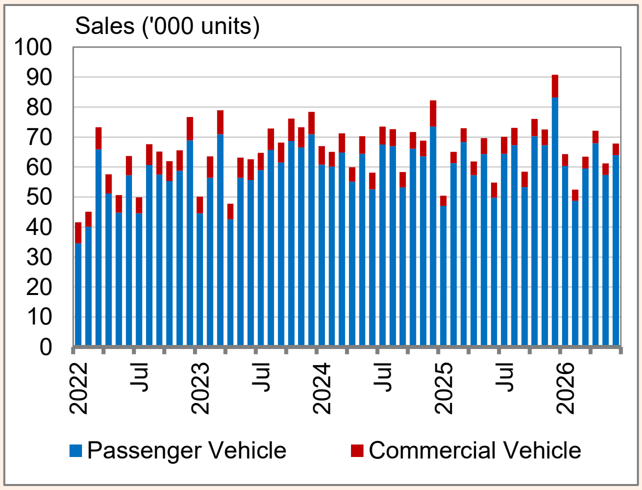


Domestic Demand

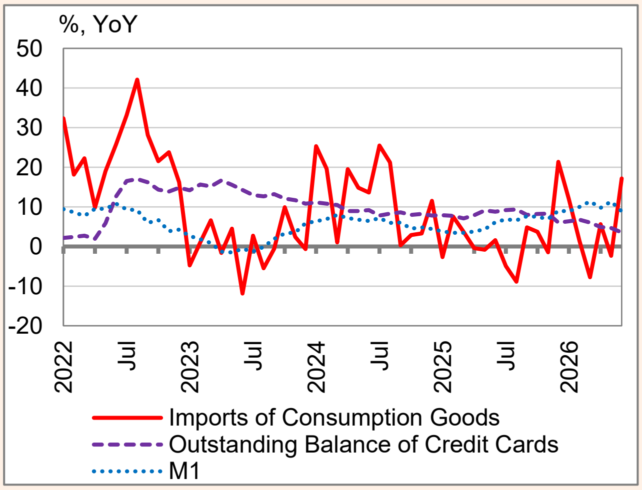
Wholesale trade growth soared up substantially in Mar-May



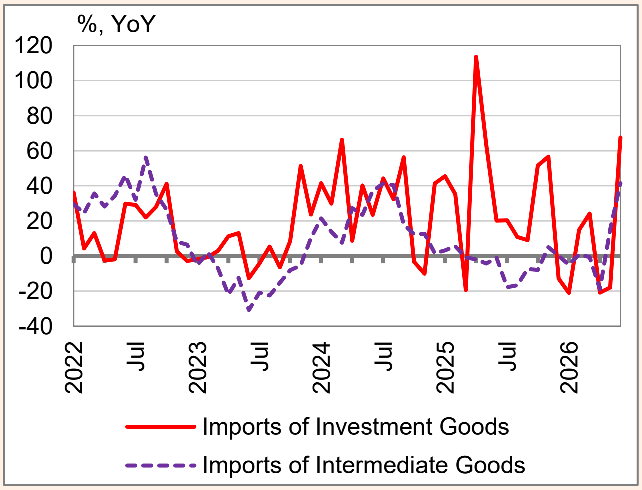
MAA revised upwards its projected TIV forecast to 800,000 units in 2026



Selected private consumption indicators

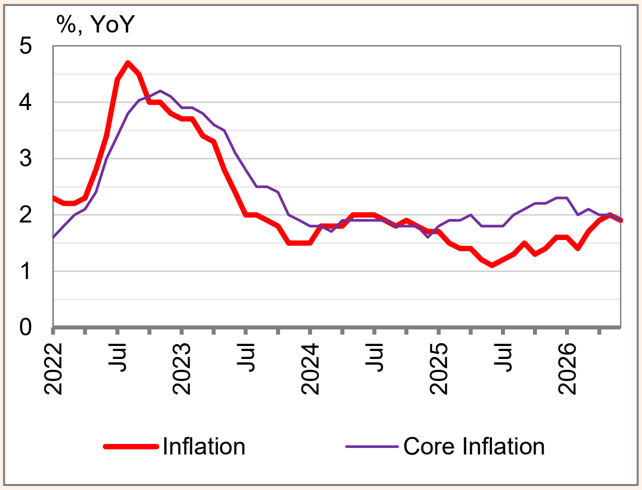


Selected private investment indicators

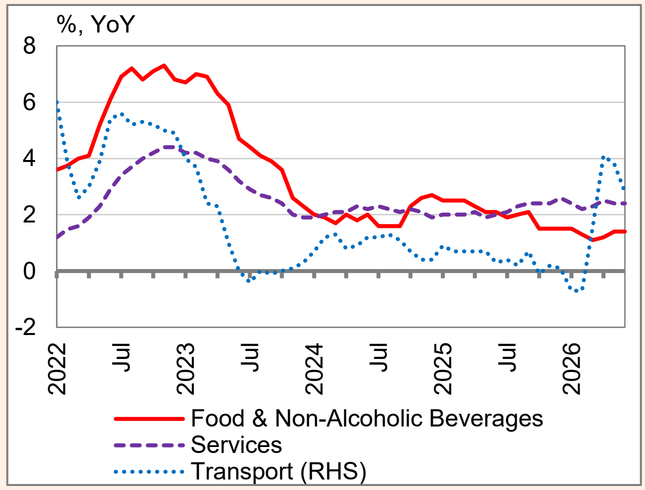


Price Indicators and Labour Market

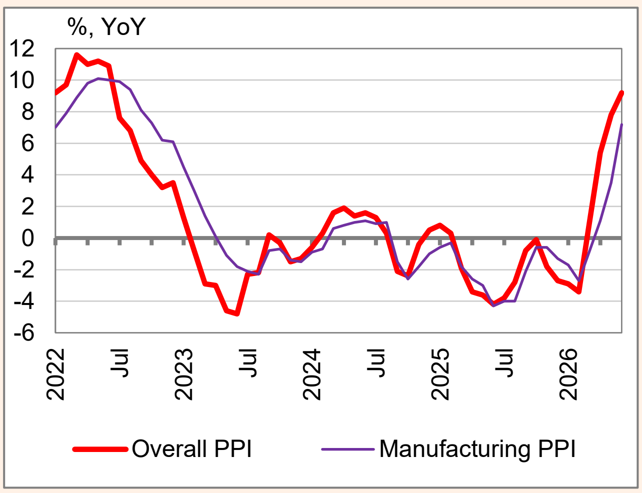
Headline inflation climbed up since Mar to 1.9%-2.0% in Apr-Jun



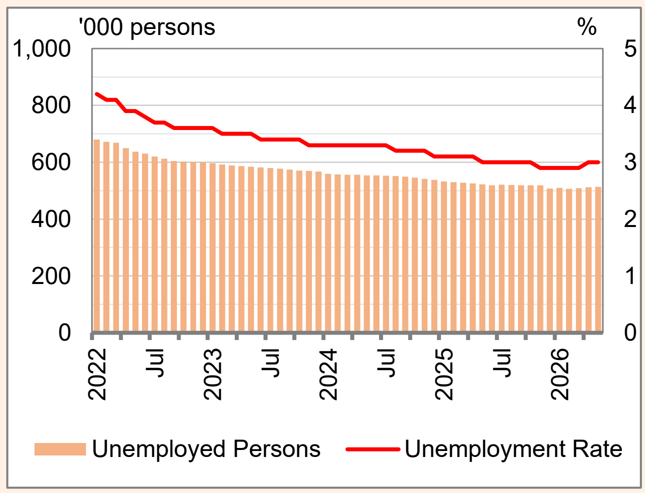
Immediate impact came from fuel prices, with potential second-order effects ahead

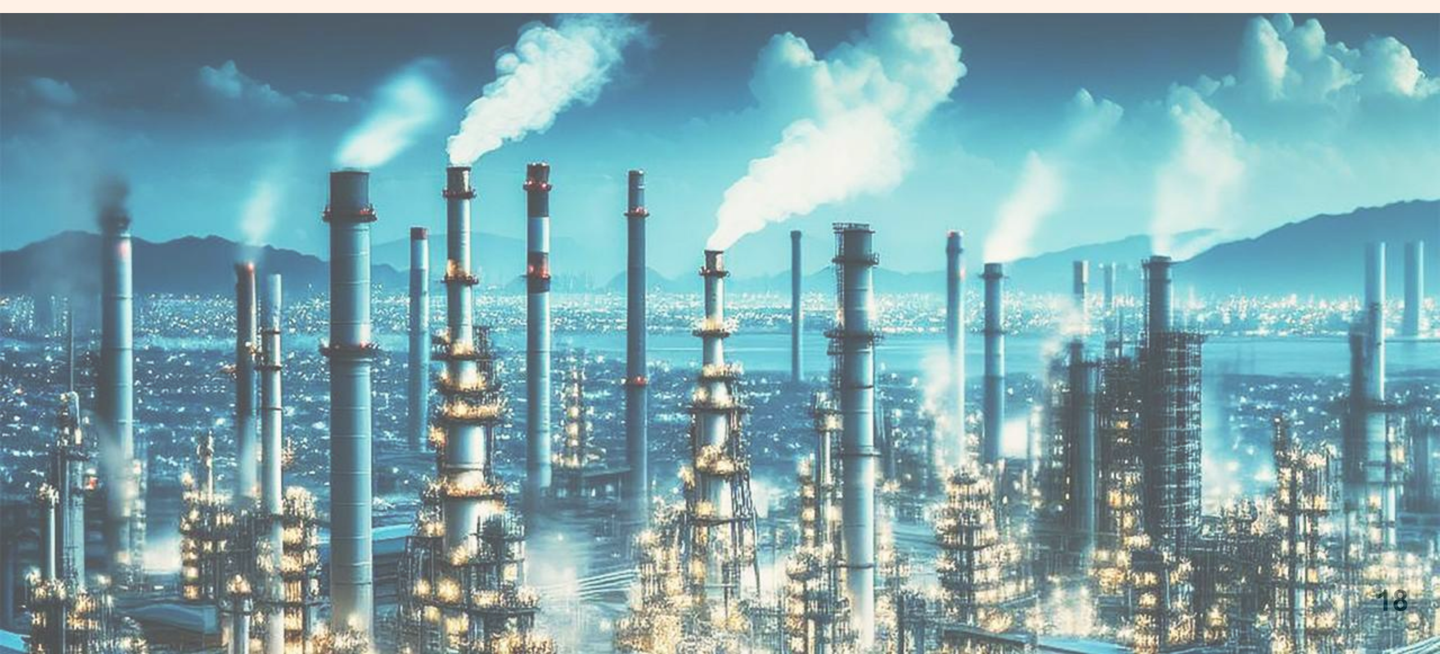


Producer prices rose sharply, driven by higher energy prices



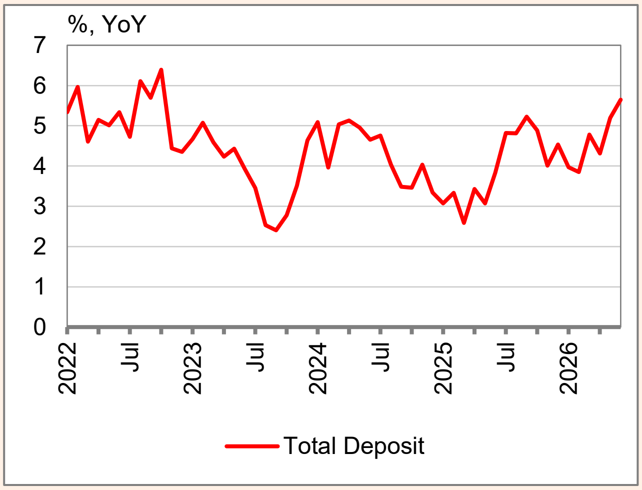
Unemployment rate edged up to 3.0% in Apr-May, but remained manageable



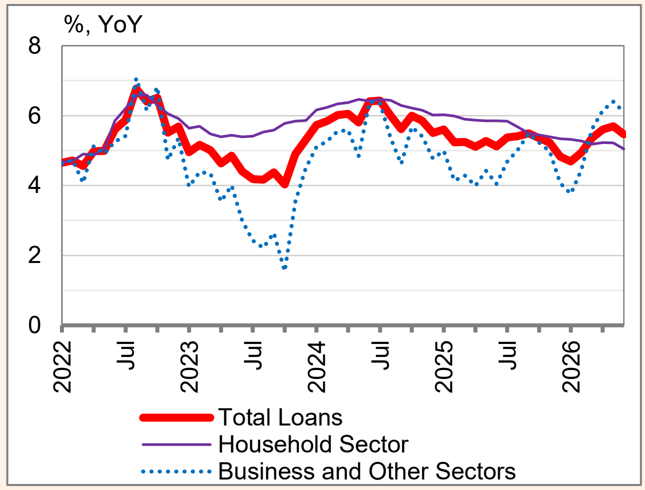


Banking and Financial Indicators

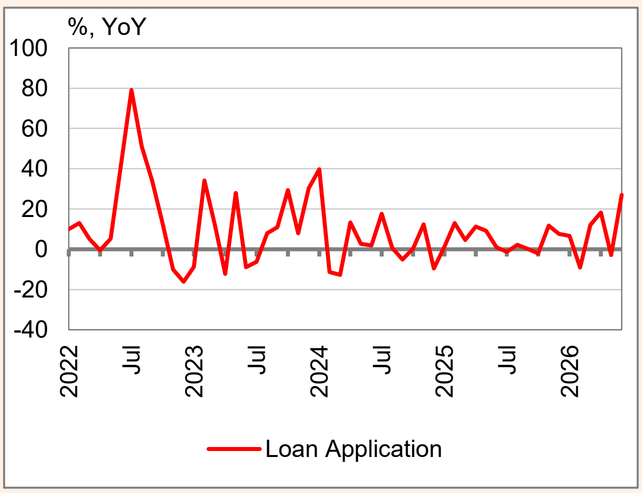
Banking deposit growth increase steadily



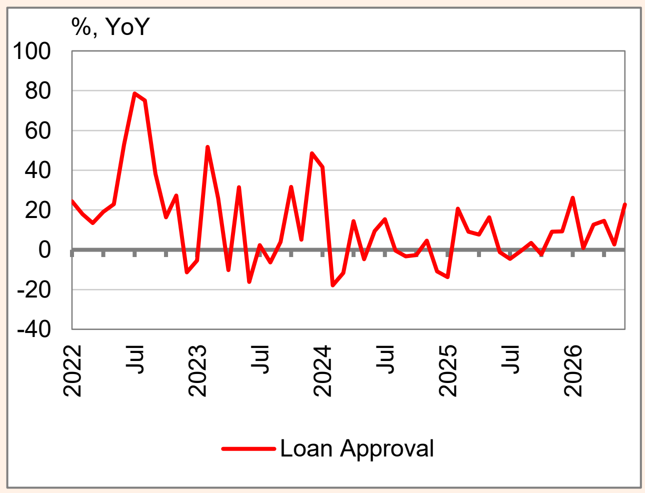
Outstanding loan growth diverged between households and businesses



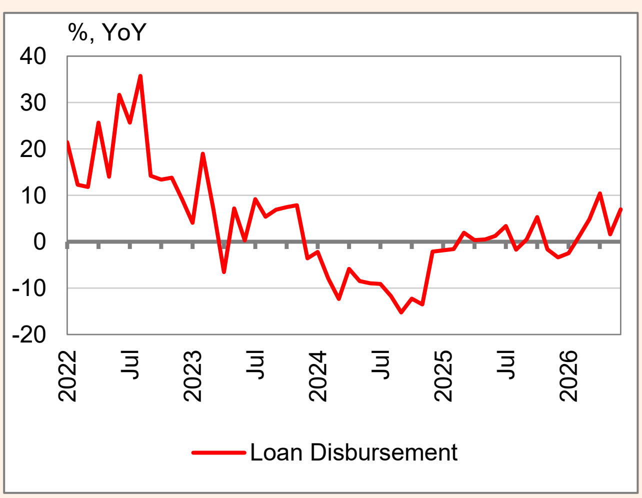
Loan applications growth



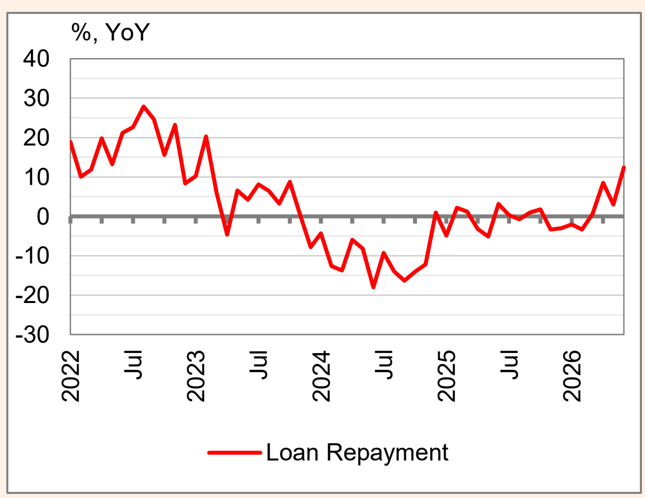
Loan approvals growth



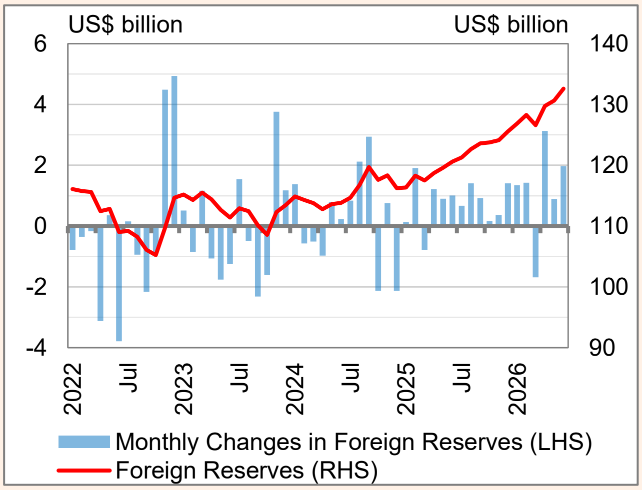
Loan disbursements growth



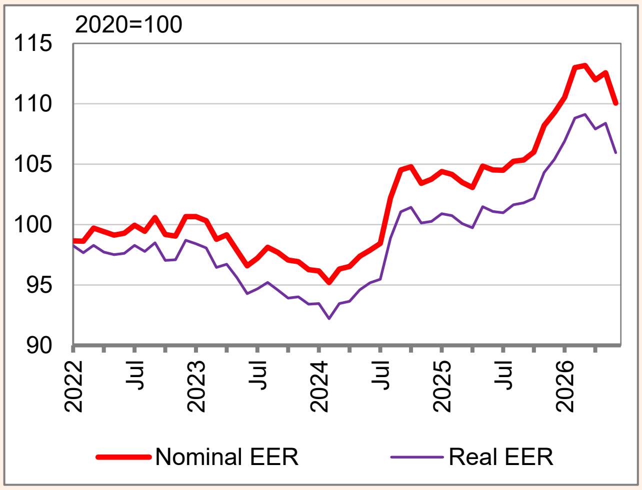
Loan repayments growth



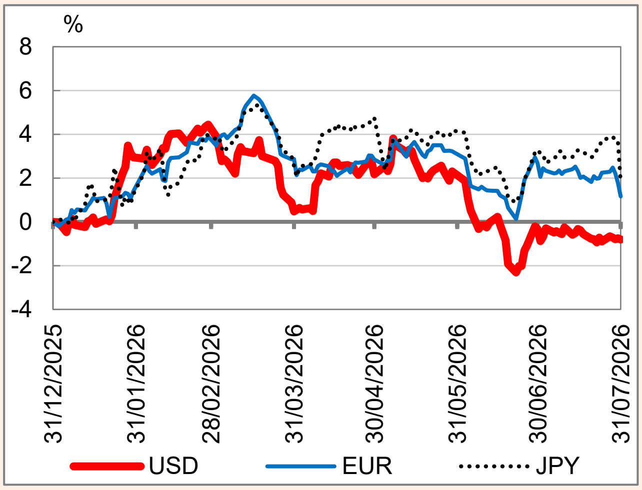
Foreign reserves amounted to USD131.8bn as of mid-Jul 2026



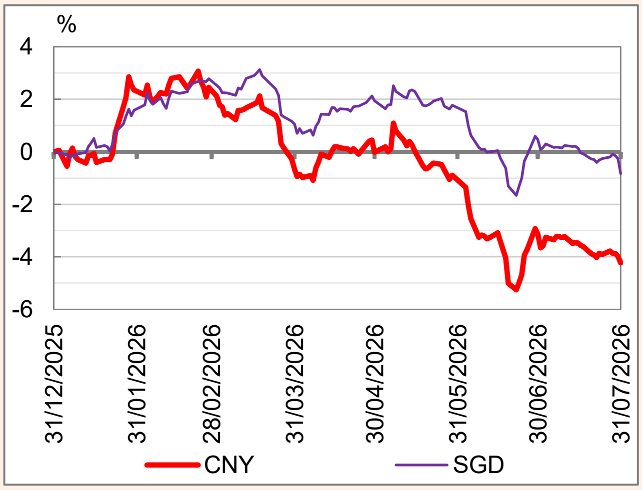
Ringgit's Effective Exchange Rate (EER)



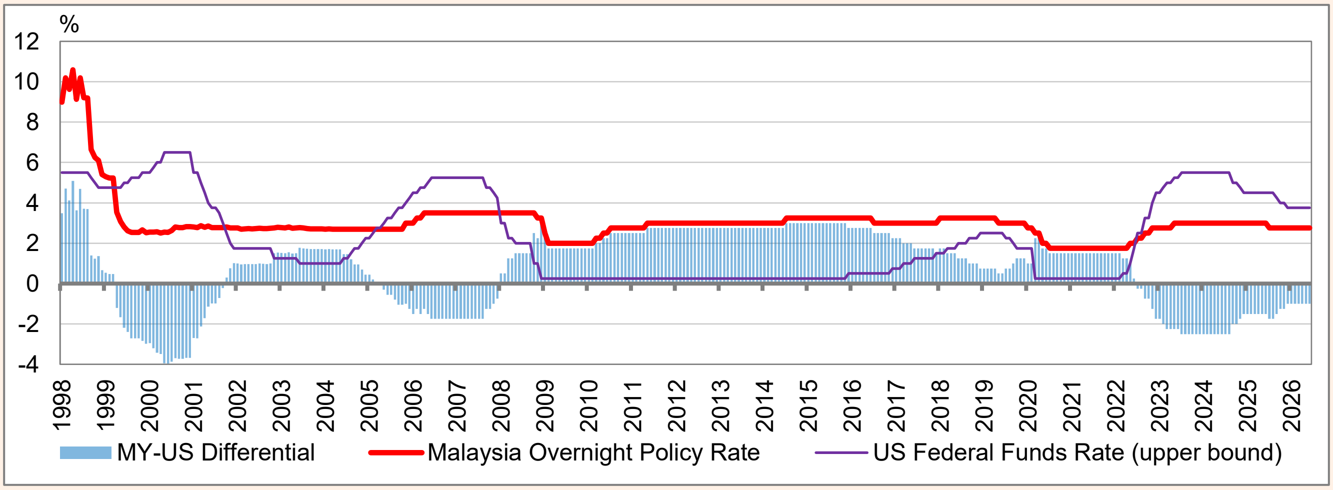
The Ringgit against the US dollar, euro, and Japanese yen (vs. end-2025)



The Ringgit against the Chinese renminbi and Singapore dollar (vs. end-2025)



Malaysia-US's interest rate differentials



Source: Department of Statistics, Malaysia (DOSM); Bank Negara Malaysia (BNM); Malaysian Automotive Association (MAA); Bank for International Settlements; Federal Reserve

Socio-Economic Research Centre

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About SERC

The Associated Chinese Chambers of Commerce and Industry of Malaysia (ACCCIM)'s Socio-Economic Research Centre (SERC Sdn. Bhd.) was established as an independent and non-profit think tank on 19 October 2010. Officiated by YAB Prime Minister on 28 April 2011, SERC is funded by ACCCIM SERC Trust.

SERC is tasked with carrying out in-depth research and analysis on a wide range of economic, business and social issues in support of the formulation of public policies to shape Malaysia's national socio-economic and industrial development agenda.

The organisation will identify and explore issues and future trends that impact domestic economic and business environments. It will also focus on sharing knowledge and promoting public understanding of socio-economic issues of national importance.

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