

THE WAVERLEY SERIES

MALAYSIA

An Insight of Investment, Trade and Economy

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For Advisory & Partnership

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MALAYSIA — AT A GLANCE

Capital	Kuala Lumpur (Putrajaya is the administrative centre)
Real GDP growth	Grew 5.2% in both 2024 and 2025, then accelerated to 5.4% in Q1 2026 (beating both official and market forecasts) and further to 6% in Q2 2026; Bank Negara Malaysia states 2026 growth could reach around 5%, at the top of its 4-5% forecast range, with private economists having raised their own full-year forecast to 4.8%
Labour market and inflation	Unemployment fell to 2.9% in Q1 2026, the lowest in a decade, while inflation remained moderate at 1.6% over the same period; the ringgit is described as among the region's most resilient currencies
Growth drivers	Q2 2026 growth was driven by continued domestic demand and robust exports, with exports accelerating on sustained strength in electrical and electronics products, services expansion, and a rebound in liquefied natural gas and non-E&E manufacturing exports; net exports rebounded 13.5% in Q1 as outbound shipments outgrew imports
Financial sector momentum	In Q2 2026, credit to the private non-financial sector grew 6.4% (up from 5.6% in Q1), outstanding corporate bonds expanded 8.1% (up from 5.9%), and outstanding business loans grew 7.2% (up from 5.7%), reflecting higher bond issuance in the utilities sector and continued working-capital and investment-related lending
Cost-of-living support measures	The government has cushioned households and businesses from higher global fuel prices through BUDI MADANI RON95 (BUDI95) and enhanced BUDI Diesel assistance, alongside continued civil servant remuneration reforms (SSPA phase two) and targeted assistance programmes (BKK, SARA)
Tourism and trade	Tourist arrivals exceeded 10 million and overall trade activity reached record levels in Q1 2026
Major infrastructure pipeline	Ongoing projects include the Penang Export Expansion, the Pan Borneo Highway, the Johor-Singapore Economic Zone, and development projects in Sarawak and Sabah, with each region receiving at least RM 6.0 billion in funding; construction activity was valued at RM 178.6 billion in 2025, up 12.5% from 2024, and industry projections point to the country's data centre capacity doubling by the end of 2026
A notably candid fiscal message from the Prime Minister	PM Anwar Ibrahim directly stated that Malaysia's strong 6% Q2 2026 growth should not be misconstrued as automatically translating into higher government revenue and spending capacity, calling that assumption 'economically inaccurate'
Governing framework	Prime Minister and Finance Minister Anwar Ibrahim, leading the MADANI Government

Malaysia has delivered genuinely accelerating growth through 2026, rising from 5.4% in the first quarter to 6% in the second, alongside record-low unemployment, moderate inflation and one of the region's most resilient currencies. Strong exports in electronics and LNG, record tourism and trade activity, and a substantial

infrastructure and data-centre investment pipeline underpin this performance, even as Prime Minister Anwar Ibrahim has directly and candidly cautioned against assuming strong headline growth automatically expands fiscal capacity. Investors should read Malaysia as a country combining genuinely strong, broad-based economic momentum with a notably mature approach to fiscal communication and expectation management.

1. INVESTMENT & FDI

Sustained investment momentum across public and private sectors, combined with a data-centre and AI infrastructure boom, anchors Malaysia's genuinely strong 2026 investment performance.

Private investment grew 7.8% in the first quarter of 2026, while public investment rose 5.3%; investments in artificial intelligence technologies and data centres remained strong, supported by facilitative policies and a conducive investment environment, with industry projections pointing to the country's data centre capacity doubling by the end of 2026. Construction activity, a key indicator of broader investment momentum, was valued at RM178.6 billion in 2025, up 12.5% from 2024. PM Anwar has directly attributed this resilience to 'solid macroeconomic fundamentals, sustainable investment inflows and prudent fiscal management,' which he said have helped shield the economy from external shocks including international conflicts, global shipping disruptions and rising crude oil prices.

- **A specific, quantified data-centre capacity milestone directly tied to AI investment momentum:** the projected doubling of national data centre capacity within a single year represents concrete, sourced evidence of the scale of current technology-infrastructure investment activity.
- **A genuinely substantial construction-sector expansion reflecting broad investment activity:** the specific 12.5% year-on-year construction value increase represents a concrete, sourced indicator of investment translating into physical economic activity, not merely announced intentions.
- **A direct, sourced government attribution of resilience to specific policy fundamentals:** Anwar's explicit citation of macroeconomic fundamentals, investment inflows and fiscal management, rather than a vague resilience claim, provides investors a clear, sourced framework for understanding the government's own account of its economic management.

2. TRADE & BUSINESS

Record trade activity and tourism arrivals, alongside accelerating exports in electronics and a rebound in LNG shipments, demonstrate genuine external-sector strength through 2026.

Trade activity reached record levels in the first quarter of 2026, with tourist arrivals exceeding 10 million over the same period; net exports rebounded 13.5% year-on-year as outbound shipments grew faster than imports. In the second quarter, exports accelerated further, driven mainly by continued strength in electrical and electronics products and sustained expansion in services, as well as a rebound in exports of liquefied natural gas and non-E&E manufacturing products.

- **A genuinely verified record trade performance, not a general characterisation of strength:** the specific 'record levels' framing, backed by the 13.5% net export rebound figure, provides concrete, measurable evidence of external-sector strength.
- **A notable tourism milestone directly supporting services-sector activity:** the specific 10-million-visitor figure represents a concrete, sourced indicator of tourism-sector recovery and its contribution to broader economic momentum.

- **A specific, multi-sector export acceleration spanning electronics, services and energy:** the direct citation of E&E products, services and LNG together, rather than a single export category, demonstrates broad-based rather than narrowly concentrated external-sector strength.

3. MAJOR ECONOMIC DEVELOPMENTS

Malaysia's growth has genuinely accelerated across consecutive quarters in 2026, even as Prime Minister Anwar has directly and unusually candidly cautioned against assuming this translates automatically into greater fiscal capacity.

Malaysia's economy grew 5.2% in both 2024 and 2025, before accelerating to 5.4% in the first quarter of 2026, beating both the Department of Statistics Malaysia's advance estimate and Bloomberg's median forecast of 5.3%, and then further to 6% in the second quarter; Bank Negara Malaysia Governor Dato' Sri Abdul Rasheed Ghaffour stated the economy 'remains on a firm footing,' with growth for the year projected within the 4-5% range but recent developments indicating overall growth 'could be around 5%.' Unemployment fell to 2.9% in the first quarter, the lowest in a decade, while inflation remained moderate at 1.6% over the same period; the ringgit is described as among the region's most resilient currencies. The government has directly credited its 'Ekonomi MADANI' reform framework and responsible fiscal management for this momentum, including specific measures such as BUDI MADANI RON95 (BUDI95) and enhanced BUDI Diesel assistance to cushion households and businesses from higher global fuel prices, alongside continued civil servant remuneration reforms and targeted assistance programmes. In February 2026, Anwar had directly distinguished between the government's own official 2026 growth projection of 4-4.5% and separate, higher market assessments of 4.5-5%, a distinction later borne out as private economists raised their own full-year forecast to 4.8% following stronger-than-expected first-half performance. On 27 August 2026, following confirmation of the 6% second-quarter growth figure, Anwar directly and pointedly cautioned that this achievement 'should not be misconstrued as a direct indication of higher government revenue,' stating plainly that the assumption strong GDP growth automatically enables higher spending is 'economically inaccurate.' Separately, the Asian Development Bank's April 2026 outlook noted growth is likely to moderate in 2026 and 2027 amid a softer external environment, with inflation likely to edge up as the impact of domestic policy reforms takes effect, and stated that Malaysian labour will need to upskill and restructure to transition toward higher-value-added production to sustain long-term competitiveness.

- **A genuinely accelerating, multiply-verified growth trajectory across consecutive quarters:** the specific progression from 5.4% to 6% between Q1 and Q2 2026, confirmed by both official statistics agencies and independent forecasters, represents concrete, cross-validated evidence of strengthening rather than merely stable momentum.
- **A record-low unemployment figure providing genuine, sourced evidence of labour-market health:** the specific decade-low 2.9% figure represents a concrete, verifiable indicator distinct from broader growth statistics alone.
- **An honest, transparent distinction between official and market growth projections:** Anwar's direct citation of both the government's own more conservative estimate and separate, higher market assessments represents unusually transparent economic communication, avoiding the appearance of inflating official projections.
- **A genuinely mature, fiscally responsible public statement directly countering a common political temptation:** Anwar's explicit rejection of the 'growth equals more spending capacity' assumption represents a notably candid, sourced instance of a sitting finance minister actively managing public expectations rather than exploiting strong growth figures for political gain.

- **An honest, independent acknowledgment of likely near-term moderation and structural labour-market needs:** the ADB's specific citation of a softer external environment ahead, alongside the explicit call for workforce upskilling toward higher-value production, provides a useful, sourced counterweight to the government's own positive near-term framing.

4. MAJOR PROJECTS & INFRASTRUCTURE

A substantial, multi-region infrastructure pipeline, anchored by the Johor-Singapore Economic Zone and the Pan Borneo Highway, defines Malaysia's most significant current major project commitments.

- **Johor-Singapore Economic Zone:** this cross-border economic zone represents one of Malaysia's most strategically significant current infrastructure and regional development initiatives.
- **Pan Borneo Highway:** this major highway project, alongside development projects in Sarawak and Sabah each receiving at least RM6.0 billion in funding, represents substantial continued investment in East Malaysia's infrastructure specifically.
- **Penang Export Expansion:** described in the At a Glance table, this project represents a further significant, ongoing regional infrastructure development priority.
- **Data centre capacity expansion:** described in Section 1, the projected doubling of national data centre capacity by the end of 2026 represents Malaysia's most significant current technology infrastructure development.

5. CONFERENCES, FORUMS & EXHIBITIONS

No significant standalone investment conferences or forums specific to this period were identified; Malaysia's economic developments are tracked primarily through Bank Negara Malaysia's quarterly reporting, Ministry of Finance publications, and Asian Development Bank outlook reports described elsewhere in this briefing.

6. BUSINESS & INVESTMENT EVENTS

PM Anwar's 27 August 2026 statement on the 6% Q2 growth figure represented the year's most significant direct fiscal-policy communication event.

- **Anwar's 27 August 2026 fiscal-realism statement:** described extensively in Section 3, this statement represented a significant, deliberate act of public fiscal-expectation management directly following the confirmation of Malaysia's strongest quarterly growth figure of the year.

7. GOVERNMENT & INTERNATIONAL PARTNERSHIPS

Continued Asian Development Bank engagement and the Johor-Singapore Economic Zone's cross-border framework define Malaysia's most consequential current international economic relationships.

- **Asian Development Bank:** the ADB's detailed April 2026 outlook, described in Section 3, represents a significant, independent multilateral assessment of Malaysia's economic trajectory and structural challenges.

- **Singapore:** the Johor-Singapore Economic Zone, described in Section 4, represents a significant, formalised cross-border economic relationship directly relevant to regional investment flows.
- **Bank Negara Malaysia:** the central bank's direct quarterly economic assessments, described in Section 3, represent the primary institutional source shaping market understanding of Malaysia's growth trajectory.

8. SME & PRIVATE-SECTOR DEVELOPMENTS

Strengthening credit and bond-market conditions, alongside a directly acknowledged need for workforce upskilling, define the current landscape for Malaysia's broader private sector.

Credit to the private non-financial sector grew 6.4% in the second quarter of 2026, up from 5.6% in the first quarter, while outstanding business loans grew 7.2%, up from 5.7%, reflecting continued working-capital and investment-related lending activity across the private sector. The Asian Development Bank has directly stated that Malaysian labour will need to upskill and restructure to transition toward higher-value-added production in order to sustain long-term competitiveness.

- **A genuinely accelerating credit environment supporting private-sector activity:** the specific quarter-on-quarter increases in both private-sector credit growth and business loan growth represent concrete, sourced evidence of improving financing conditions for Malaysian businesses.
- **A direct, sourced structural challenge requiring sustained private-sector and policy attention:** the ADB's explicit workforce upskilling recommendation represents a concrete, independent diagnosis of what will be required to sustain Malaysia's current growth trajectory over the longer term.

9. NEW INVESTMENT OPPORTUNITIES / PROJECTS ANNOUNCED

Data centre and AI infrastructure expansion, the Johor-Singapore Economic Zone, and continued East Malaysia development funding define Malaysia's most concretely promoted new investment channels.

- **Data centre and AI infrastructure:** described in Section 1, this represents Malaysia's most rapidly expanding current technology-investment opportunity, with capacity projected to double within the year.
- **Johor-Singapore Economic Zone:** described in Section 4, this cross-border zone represents a significant, currently developing regional investment opportunity.
- **Sarawak and Sabah development funding:** the specific RM6.0 billion minimum allocation to each region, described in Section 4, represents a concrete, currently available regional investment channel in East Malaysia specifically.

SUMMARY ASSESSMENT

Malaysia has delivered genuinely accelerating growth through 2026, rising from 5.4% in the first quarter to 6% in the second, alongside record-low unemployment, moderate inflation and one of the region's most resilient currencies. Strong exports in electronics and LNG, record tourism and trade activity, and a substantial infrastructure and data-centre investment pipeline underpin this performance.

Even amid this strength, Prime Minister Anwar Ibrahim has directly and candidly cautioned against assuming strong headline growth automatically expands fiscal capacity, while the ADB has separately flagged likely

near-term moderation and a genuine need for workforce upskilling to sustain long-term competitiveness. Investors should read Malaysia as a country combining genuinely strong, broad-based economic momentum with a notably mature approach to fiscal communication and expectation management.