

MALAYSIA, according to the government, has shown strong gross domestic product (GDP) growth. But strangely, the people are not feeling it.

This apparent disconnect between growth and sentiment on the ground is a common concern.

This divergence, however, does not necessarily mean GDP growth is overstated or disconnected from economic fundamentals. Rather, it reflects a changing composition and distribution of growth.

From a broader perspective, this divergence is not unusual in a market economy.

Economic growth and its benefits are not necessarily distributed uniformly.

Differences in productivity, education, skills, capital ownership and individual choices can produce different outcomes.

This has led to concepts such as equity and welfare economics, including progressive taxation, targeted subsidies and affirmative action, alongside the pursuit of structural justice through access to basic services, competition policy and wider socio-economic opportunities.

Strong aggregate growth, therefore, does not necessarily translate into an equally strong improvement in circumstances for every household, income group, generation or region.

This distinction is particularly relevant to Malaysia's current performance. The pre- and post-pandemic growth rates are telling, based on average sectoral GDP growth rates comparing the 2017-2019 and 2023-2025 periods.

Growth in major consumer-facing sectors, including services and wholesale and retail trade, has decelerated.

Importantly, these sectors continue to grow at healthy rates, generally above 5%.

However, their slower growth relative to the pre-pandemic period is likely to influence sentiment disproportionately because they are encountered directly in everyday life.

As such, Malaysia's growth engine has increasingly shifted towards the producer and investment side. As Malaysia

strengthens its position as an export-oriented economy, relatively less visible sectors have taken on greater significance.

As a mid-sized open economy, Malaysia is structurally positioned to benefit from the much larger global market for trade and investment, particularly compared with larger economies that can rely more heavily on domestic consumption.

This shift is evident in the sectoral composition of growth.

Manufacturing and electronics, central to Malaysia's export base, have accelerated across the pre- and post-pandemic periods, in line with policy initiatives and global technology trends.

Construction has also recorded strong growth, reflecting elevated investment activity.

At the same time, primary sectors such as mining, agriculture and hydrocarbons have experienced a revival. These sectors may be less visible than retail or consumer services, but their contribution to production, investment, exports and national income is substantial.

This helps explain why strong GDP growth may not always feel as strong as the headline number suggests.

The issue is not necessarily that growth has weakened, but that its drivers have changed.

During periods of elevated investment, the producer sector can play a stronger role than the consumer sector.

The broadening of sectoral growth is also important for resilience.

In a world characterised by geopolitical volatility, technologi-

cal disruption, demographic ageing and climate-related risks, an economy that relies on a wider range of sectors and export opportunities is better positioned to absorb shocks.

Malaysia's ability to attract investment into manufacturing and electronics strengthen its role in global supply chains, develop its primary industries and expand infrastructure shows an economy adapting to the changing external environment.

The geographical composition of growth is changing as well.

Over time, Malaysia's expansion is likely to become increasingly decentralised, with new engines emerging beyond the Klang Valley.

Foreign direct investment, export-oriented industries and targeted public investment are contributing to new economic centres.

While private investors remain the principal drivers, the government's enabling role through infrastructure, connectivity and a better investment climate can reduce barriers and expand opportunities in historically underdeveloped regions, including the east coast of Peninsular Malaysia and the states of Borneo.

This broadening is evident in Johor through the Johor-Singapore Special Economic Zone (JS-SEZ), in the northern states through the expanding semiconductor ecosystem, and in Sabah and Sarawak through the development of natural and energy resources.

Such developments can reduce longstanding regional disparities

Changing face of growth



Economy & Society

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■ **Malaysia's growth engine has shifted towards the producer and investment side**

■ **This is why GDP growth does not feel as strong as headline number suggests**

in income, wealth and economic opportunity.

Growth is, therefore, broadening not only across sectors, but also across geography.

This perspective is important when assessing Malaysia's strong GDP growth in the first half of 2026. Growth has increased alongside a healthy rebalancing, with investment, production, exports and a wider range of sectors contributing more significantly.

The divergence between GDP growth and consumer sentiment likely reflects a changing economic structure.

The challenge is ultimately not simply to generate high GDP growth, but to ensure that its benefits become increasingly broad-based.

A market economy can generate substantial increases in productivity, investment and national income while producing uneven outcomes across households, regions and generations.

Continued improvements in connectivity, institutions, human capital, competition and the investment climate can help emerging growth centres realise their potential and ensure that economic transformation is more widely shared.

Malaysia's recent growth experience should therefore not be judged solely by whether households "feel" the headline GDP number.

Sentiment remains an important measure of economic wellbeing, but it captures only one dimension of economic performance.

The more fundamental question is whether the economy is expanding productive capacity, diversifying its sources of growth and creating new opportunities across sectors and regions.

The engines of Malaysian growth are changing and diversifying, important for longer-term resilience and development.

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