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# We have raised the ‘ceiling’, now we must raise the ‘floor’

The Edge, Malaysia

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GDP estimates indicate that Malaysia’s economy grew by 5.8% in 2Q2026, from 5.4% in 1Q2026, exceeding market expectations yet again. In the first half of the year, growth stood at 5.6%, compared with 4.5% in the previous corresponding period.

Commendably, these numbers were achieved despite the Strait of Hormuz disruptions, resulting in elevated energy prices, volatile capital flows and an increasingly fragmented global trading system.

Whether in academic discussions as part of my Oxford University fellowship, or at international conferences, I find that Malaysia’s current stellar macroeconomic performance has caught the attention of many.

**An against-the-odds growth story**

The story behind our growth is partly supported by manufacturing — which expanded 7.5% in 2Q2026, up from 5.9% in 1Q2026 — driven by electrical and electronics (E&E) and optical products.

The New Industrial Master Plan 2030, the National Semiconductor Strategy and sustained engagement with leading global technology companies have helped Malaysia transcend beyond a regular manufacturing base to start positioning itself as a centre for higher-value activities such as integrated circuit design, advanced packaging, research and development, and technology services.

As global companies reorganise and diversify supply chains, we are ready to receive new investments. Services continued to power growth, supported by resilient domestic consumption and improving labour market conditions. Construction



maintained its momentum, while the mining sector rebounded strongly.

Macroeconomic discipline has played an important role. Inflation eased to 1.9% in June despite the spike in global crude oil prices. Our policy framework is shielding households from the worst of imported inflation while allowing the government to proceed carefully with subsidy retargeting and fiscal consolidation.

The fiscal deficit is on a downward trajectory. The ringgit has remained resilient. Investor confidence — crucial in determining whether businesses invest and jobs are created — has improved.

In short, our macroeconomic achievement is clearly the fruit of deliberate policy choices, sustained institutional effort and renewed confidence in the country’s economic direction.

**The risks of uneven growth**

This is exactly the “raising of the ceiling” prescribed by the 2023 Madani Economy framework: expanding Malaysia’s growth potential, moving up the value chain and restoring the country’s standing as a competitive investment destination. The first half of 2026 proves we have achieved this.

But the “ceiling” is only half the story. For instance, weaker agricultural activity in oil palm and fisheries shows that growth is never uniform. A strong headline figure belies considerable pressure in particular sectors and communities.

“We have shown that we can raise the ceiling. Now we must ensure that every Malaysian’s standing can also be elevated. Growth is the means. The end is a secure and dignified life for the rakyat.”

So, while a semiconductor engineer in Penang enjoys a good standard of living, GDP growth provides little comfort to a fisherman in Terengganu facing rising housing, childcare, education and healthcare costs.

Through my engagements on the ground in the Klang Valley, I can clearly see these daily pressures — transport, food, childcare and, for the sandwich generation, elderly care — intensify the strain. So, Malaysia must strengthen the “floor” of the Madani Economy: decent wages, solid social protection, quality public services and a fair chance for people to improve their lives.

**Four steps to raise the ‘floor’**

How? First, wages must rise with productivity. For too long, labour’s share of national income has remained behind many comparable economies. The Progressive Wage Policy, the revision of the minimum wage and measures

to reduce low-skilled foreign labour dependence must be supported by broader, structural reforms.

As Malaysia attracts more advanced investments, the jobs created must be higher skilled and better paid. Malaysians must be trained to fill them — technology transfer and domestic capacity-building must be the key criteria for proposed investments.

Second, social protection must reflect the realities of the modern economy. Malaysia’s existing social security architecture was designed in an era of formal, stable employment. Today, many Malaysians in the gig economy, micro enterprises and informal arrangements are not covered by the Employees Provident Fund or Social Security Organisation (Socso), although there have been proactive efforts to do so.

Extending social security to these workers is essential economic infrastructure. Flexible contributions and appropriate incentives can ensure that job flexibility does not come at the cost of social security.

Third, subsidies must only be for those who genuinely need assistance. It is socially irresponsible to extend blanket support to wealthy households and foreign nationals.

The test of reform is also when savings visibly benefit the rakyat through adequate cash assistance, as well as better education, health and public services. Retargeting subsidies, therefore, is fiscally necessary to ensure sustainable social protection.

Fourth, small businesses must benefit from investment inflows. Opportunities from major investments must benefit domestic supply chains, particularly for micro, small and medium enterprises (MSMEs) that employ roughly 48% of Malaysian workers.

Local firms need support to upgrade, adopt tech, secure financing and move up the val-



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ue chain — and digitalisation must reach small retailers and manufacturers, not only start-ups. Furthermore, beyond established corridors like the Klang Valley, Johor, Penang and Kuching, better connectivity, amenities and investment facilitation are also essential to growth and opportunities in other parts of Malaysia.

**Growth is the means to human dignity**

We should also broaden our economic success measurements to include real median wages, labour’s share of corporate profits, wage growth among the lower income, household disposable income, skilled job creation, MSME productivity and youth underemployment. What policymakers measure shapes what businesses and society prioritise.

The latest GDP estimate tells us that Malaysia can grow, compete and instil confidence even in difficult global conditions. That is an achievement worth recognising. But the harder question is: Who experiences that success in their daily lives?

A high economic “ceiling” is impressive and welcomed but without a strong economic “floor”, we will face wealth gaps and an insecure society. Conversely, a strong floor without a rising ceiling cannot be financed for long. Malaysia needs to enhance both.

We have shown that we can raise the ceiling. Now we must ensure that every Malaysian’s standing can also be elevated. Growth is the means. The end is a secure and dignified life for the rakyat. **E**

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