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Malaysia's economy is an F1 car on paper, a sedan on the ground

By Dr Mohd Zaidi Md Zabri [Buy Maps](#) | 27/09/2026(<https://focusmalaysia.my/2026/09/27/>) |
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Letter to Editor

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ACCORDING to the Department of Statistics Malaysia, Malaysia's  economy grew 6% in the second quarter of 2026, the country's strongest Q2 growth outside the pandemic period since 2014.

Unemployment stood at 3.0% for the quarter, edging up only slightly from 2.9% in Q1.

Headline inflation rose to a modest 1.9%. By almost every conventional measure, the Malaysian economy is performing well. Yet ask the rakyat, and the picture looks very different.

There is a persistent sense that wages are not stretching as far as they used to, that costs keep climbing even as official inflation stays low, and that the prosperity in the national accounts simply is not showing up in household budgets.

Tune Engines

A regional survey released this month found cost of living to be Southeast Asia's single biggest social concern, cited by 42% of respondents, with Malaysia's own optimism levels notably tempered by it.

Even the prime minister has acknowledged the mismatch. Announcing that same quarter of growth, Datuk Seri Anwar Ibrahim felt the need to add a caveat of his own: "While the headline  economic indicators remain encouraging, we recognise that many Malaysians continue to

What follows is one attempt at an answer, not the final word on it. It starts with a simple observation: everyone is technically competing in the same race, but nobody is driving the same car. [Compare Cars](#)

The F1 car

Bank Negara governor Datuk Seri Abdul Rasheed Ghaffour has been explicit about what is driving the headline figure: manufacturing strength on continued global demand for electrical and electronic components tied to artificial intelligence and data centre construction.

This is real, but narrow, dependent on capital-intensive investment, global supply chains, and a relatively small number of large export-oriented firms.

These are the F1 cars in Malaysia's economic race, purpose-built for this exact moment in the global economy. They cross the line first, and that part is real. But they also only ever had room for one driver. [Buy Maps](#)

A new data centre or expanded chip fabrication line creates high-value jobs for engineers and technicians, but it does not, in the short run, raise the income of a retail assistant in Kuching, a hawker stall operator in Chemor, or an administrative clerk in Johor Bahru.

The sedan

The same Q2 data also show what the rest of the field is driving. Agriculture contracted 3.7%, reversing from 2.6% growth in Q1, on weak oil palm and fishing output.

Services eased slightly too, to 5.4%, though it remains the largest single contributor to overall growth. Mining is the exception worth an explanation. [Read Economics](#)

It rebounded to 10.2% growth after contracting in Q1, but this tracks global energy  prices amid the Middle East conflict, not any shift in the sector's role for ordinary workers, mining employs a small fraction of the workforce compared with agriculture, retail, or services.

None of these domestic-facing sectors are accelerating the way the AI-linked engine is, nor should they be expected to. They are also where most of the workforce is employed.

DOSM figures show MSMEs accounted for almost half of total employment in 2025, 48.7%, or 8.09 mil people, spread across retail, hospitality, agriculture, and small-scale manufacturing.

This is the sedan most working Malaysians are actually driving: reliable enough for daily use but never built to keep pace with an F1 car. Above all, the gap is not a matter of effort.

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Full rollout came in September 2025, followed by a further quota cut this past April, and it's this ongoing tightening that distinguishes this lap of the race from Malaysia's past two-speed moments.

The issue is not whether the policy makes sense, but how unevenly its impact lands. Every car runs on fuel, but a rise in fuel cost does not register the same way for every car.

Transport and logistics costs seep into nearly every other [price](#), and when they rise for households no longer covered by blanket subsidies, the effect does not show up cleanly in the 1.9% headline inflation figure. [Compare Cars](#)

It shows up instead in what many Malaysians experience as everyday inflation, food away from home, transport-dependent services, the small recurring costs of running a household or small business.

A household on the domestic-facing track, where income growth has been modest, experiences the same subsidy adjustment as a proportionally larger bite out of a budget that was not expanding to begin with.

The policy may be sound and necessary. Its distributional timing, arriving while one part of the economy surges and the other merely holds steady, is what turns a fiscally responsible reform into felt financial strain for a large share of the population.

To return to the analogy: the sedan feels this pinch immediately as its budget was never built with much margin. The F1 car, by contrast, barely notices the same rise in fuel cost against a team budget running into the hundreds of millions a year. [Read Economics](#)

Different cars need different pit strategies

To be clear, I am not arguing against subsidy rationalisation. Fiscal discipline, targeted subsidy reform, and Malaysia's push to attract high-value AI and data centre investment are each sound policy directions on their own merits, and the second quarter's figures reflect real, creditable achievement. This is not a case of Malaysia's [economic](#) management having failed.

The issue is sequencing and absorption, not direction, and no amount of steady driving closes a gap between two fundamentally different machines. Something else may need to change the terms of the race.

Malaysia is not the first country to face this problem, a narrow, foreign-investment-driven engine generating headline growth the rest of the economy does not proportionately feel.

portion of that windfall into long-term investment vehicles rather than spend it through the ordinary budget.

Notwithstanding, Ireland’s own fiscal watchdog has warned the government is saving too little of it and spending too much now, a reminder that the temptation to let the fast car keep everything it earns is not unique to any one country.

Malaysia’s version of this question, whether AI-linked investment and export revenue should be treated, in part, as a windfall to be channelled deliberately toward the rest of the field, deserves its own careful examination, one this piece does not attempt to settle.

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A sedan does not become an F1 car by driving more carefully. Understanding where the growth is actually coming from, and where it has not yet reached, seems a reasonable place to start before anyone proposes how to bring the rest of the field closer to the front.—Sept 27, 2026

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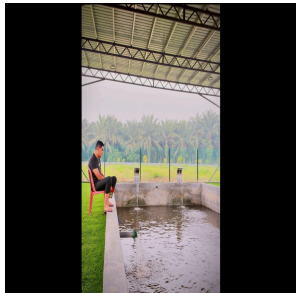
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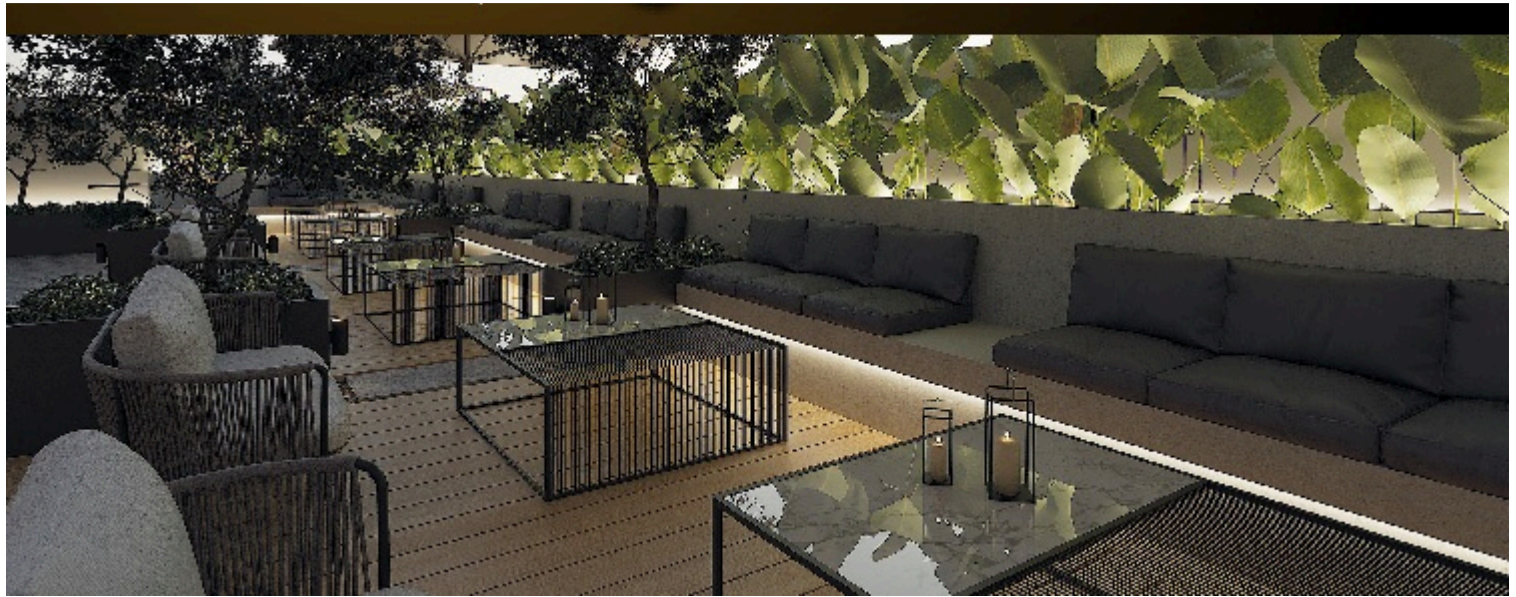
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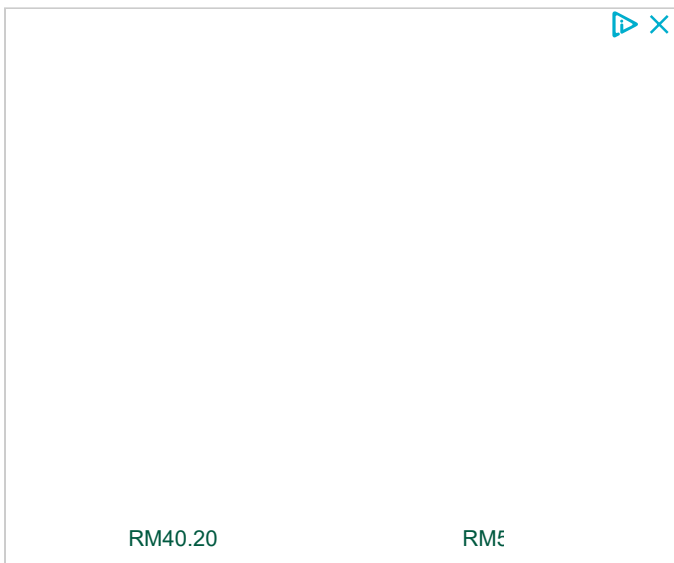
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