Forecast: Q2 GDP seen slowing to 8.1 percent
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Second quarter 2010 median growth of 8.1 percent from year earlier. Forecast range of 14 analysts was between 7 percent and 8.8 percent.

July inflation is seen accelerating to 1.9 percent on an annual basis versus 1.7 pct percent in June. Forecast range of 14 analysts was 1.7 to 2.4 percent.

Factors to watch: The central bank had said that it continued to expect strong growth in the coming quarters of 2010 following the decade-high 10.1 percent performance in the first quarter.

An 8.1 percent figure for the second quarter would still be considered a strong result although the low base effect had played a significant part in boosting the first quarter number and is likely to affect second quarter growth as well.

Malaysia's GDP contracted by 3.9 percent in the second quarter of 2009.

Exports and industrial production in the second quarter have slowed although economists say this is due to the fading effect of comparisons with depressed levels a year earlier.

Although exports growth in annual terms slowed gradually in the past months to 17.2 percent in June from April's 26.6 percent, in value terms it has risen slightly month-on-month holding around pre-crisis levels in a sign that the recovery remains intact.

July's inflation index is expected to edge up from June's 1.7 percent year-on-year growth. The small rise is expected due to recent cuts in fuel and food subsidies.

If GDP comes in line with the forecast of 8.1 percent growth, the central bank is unlikely to raise interest rates for the fourth time this year after it has indicated the benchmark's present level of 2.75 percent was appropriate.

Market impact: The market would be disappointed if growth slowed to less than 7 percent as it would indicate that other sectors of Malaysia's trade-dependent economy had slowed or that the central bank's rate hikes had more bite than intended.

A stronger-than-expected number may boost the ringgit further as foreign investors keep buying ringgit bonds betting on yet another rate rise this year.

The ringgit strengthened due to these capital flows, peaking at 3.14, its highest level in more than 2 years.

Most economists, however, expect the economy to continue to slow into the second half of the year as exports to the US and Europe slump and low base effects start to take effect.

- Reuters