Malaysia's GDP Growth Sustained Above +5% Growth in 1QCY26

Economic Review
Advance 1QCY26 GDP



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Economic Review

- Based on the advance estimate, Malaysia's GDP grew by +5.3%yoy in 1QCY26, moderating from +6.3%yoy in 4QCY25. The pace of growth came in below market consensus (+5.5%yoy) but exceeded our estimate (+4.8%yoy). Growth across all major sectors moderated, with contraction in the mining industry.
- Growth in the services sector moderated to +5.4%yoy (4QCY25: +6.3%yoy), while the manufacturing sector growth eased slightly to +5.8%yoy (4QCY25: +6.1%yoy) on the back of increased external and domestic demand.
- We maintain our forecast that Malaysia's GDP growth will likely moderate to +4.2% this year (2025: +5.2%), continued to be driven by growing domestic demand. With the ongoing conflicts in the Middle East, Malaysia's growth outlook could be weighed down by elevated energy prices, rising inflation and potentially softer external demand.

GDP grew at the fastest pace in the final quarter

Based on the advance estimate, Malaysia's GDP grew by +5.3%yoy in 1QCY26, moderating from +6.3%yoy in 4QCY25. The pace of growth came below market consensus (+5.5%yoy) but exceeded our estimate (+4.8%yoy). Gross across all major sectors moderated compared to the final quarter of 2025, except for the mining industry, which contracted by -1.1%yoy (4QCY25: +2.0%yoy). Notably, the continued expansion in the services and manufacturing sectors remained the key drivers, contributing +3.2ppt and +1.3ppt respectively. Despite the moderation, Malaysia's GDP growth remained robust, sustained above +5.0% for the third consecutive quarter.

Sustained albeit slower growth in services and manufacturing sectors

Growth in the services sector moderated to +5.4%yoy (4QCY25: +6.3%yoy), mainly driven by expansion in the wholesale & retail trade, information & communication, transport & storage sub-sectors. Meanwhile, the manufacturing sector growth eased slightly to +5.8%yoy (4QCY25: +6.1%yoy), on the back of increased external and domestic demand. Key sub-sectors underpinning the 1Q expansion include E&E and optical products; oils & fats and food processing products; and non-metallic mineral products, basic metal & fabricated metal products.

Relatively slower expansion in agriculture and construction; but decline in mining

The agriculture sector also experienced a slower expansion of +2.8%yoy (4QCY25: +5.4%yoy), supported by growth in the oil palm and livestock sub-sectors, which offset the declines in rubber and fishing sub-sectors. The construction industry's growth moderated to +7.8%yoy (4QCY25: +11%yoy), the lowest in nine quarters and reflecting a more normalised growth after eight quarters of double-digit expansion The growth in construction was supported mainly by specialised construction activities and non-residential buildings. In contrast, the -1.1%yoy contraction in the mining sector (4QCY25: +2.0%yoy) mainly reflected weaker production of both crude oil & condensate as well as natural gas.

Quarterly GDP moderated to +3.0%qoq

On a quarter-on-quarter basis, Malaysia's GDP contracted by -4.4%qoq (4QCY25: +3.3%qoq), broadly reflecting the declines in all economic sectors. While the GDP growth contraction from 4Q to 1Q of the following year is considered normal based on the non-seasonally adjusted data, the pace of contraction is the sharpest in the post-pandemic period. A significant portion (or about 90%) of the quarterly contraction was explained by the weaker output in the services, manufacturing and agriculture industries.

Net exports estimated to contribute positively in 1QCY26

We estimate net exports will contribute positively to the 1QCY26 GDP growth. In the first 2 months of 2026, Malaysia's trade of goods recorded a surplus of +RM38.7b, approximately +137%yoy larger than +RM16.3b in 2MCY25. The wider surplus was attributable to stronger exports (2MCY26: +15.2%yoy; 4QCY25: +11%yoy), while imports recorded more moderate growth (2MCY25: +6.4%yoy; 4QCY25: +11.7%yoy). In particular, the stronger exports were driven by more robust pick-up in domestic exports, with encouraging exports of E&E products. On top of the wider goods surplus, we expect the positive impact from increased tourism activities will continue to support improved exports of services in first few months of 2026.

Expect GDP growth to moderate to +4.2%, with growing concerns about downside risks

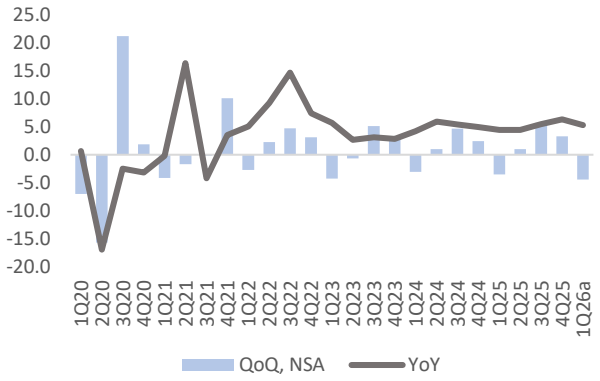
We maintain our forecast that Malaysia's GDP growth will likely moderate to +4.2% this year (2025: +5.2%). Growing domestic demand will continue to be main driver of growth, while the resilience in exports and increased tourist spending could present some upside risks to our forecast. On the other hand, we are wary about growing downside risks affecting Malaysia's macroeconomic outlook, with the ongoing conflicts in the Middle East. In particular, the elevated energy prices and renewed cost pressures are likely to push inflation higher. This may weigh on sentiment, with consumers turning more cautious in their spending, while businesses could gradually pass on higher costs through price adjustments. While rising inflation may dampen domestic consumption and business activity, external demand could also soften as the global energy price shocks also weigh on growth in other economies. Supply disruptions could also adversely affect production and trade outlook in the coming months.

Table 1: Summary of GDP by Major Sectors

	QoQ					YoY				
	1Q25	2Q25	3Q25	4Q25	1Q26[a]	1Q25	2Q25	3Q25	4Q25	1Q26[a]
GDP	**(3.5)**	**1.0**	**5.4**	**3.3**	**(4.4)**	**4.4**	**4.4**	**5.4**	**6.3**	**5.3**
Agriculture	(7.6)	8.6	13.2	(6.9)	(9.8)	0.7	2.5	0.1	5.4	2.8
Mining & Quarrying	(2.5)	(11.6)	8.6	9.0	(5.5)	(2.7)	(5.2)	9.7	2.0	(1.1)
Manufacturing	(3.7)	1.3	4.7	3.8	(3.9)	4.1	3.7	4.1	6.1	5.8
Construction	2.2	1.9	8.2	(1.5)	(0.7)	14.2	12.1	11.8	11.0	7.8
Services	(3.4)	1.1	4.7	4.0	(4.2)	5.0	5.1	5.5	6.3	5.4

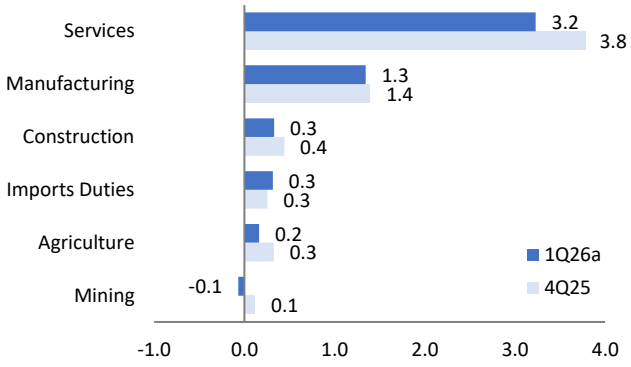
* Non-seasonally adjusted [a] Advance estimate
Source: Macrobond, MBSBR

Chart 1: Real GDP: Year-on-Year vs. Quarter-on-Quarter (%)



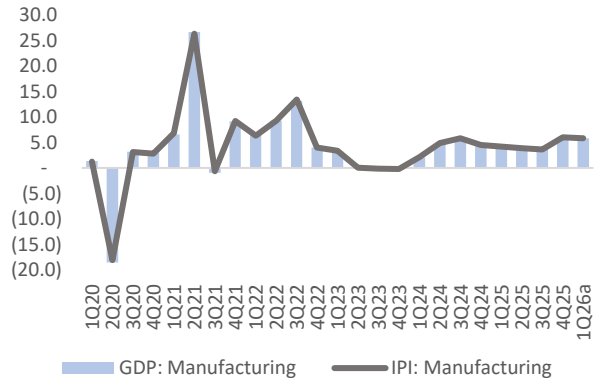
a Advance estimate
Source: Macrobond, MBSBR

Chart 2: Contribution to 4QCY25 GDP Growth by Major Sector (%-point)



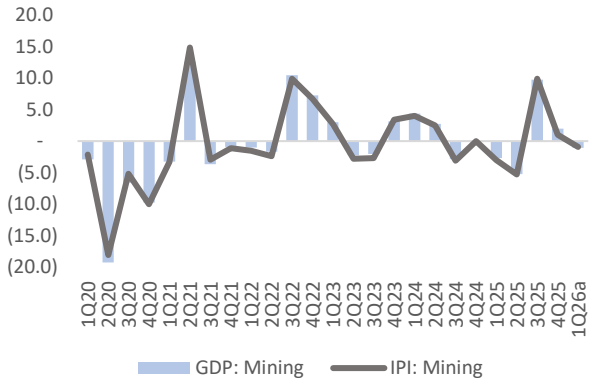
a Advance estimate
Source: Macrobond, MBSBR

Chart 3: Manufacturing GDP vs Manufacturing IPI (YoY%)



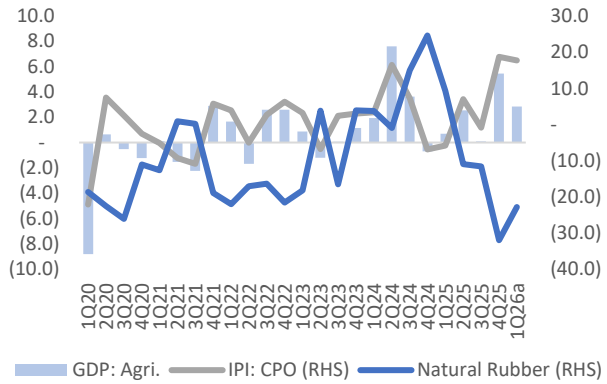
a Advance estimate
Source: Macrobond, MBSBR

Chart 4: Mining GDP vs Mining IPI (YoY%)



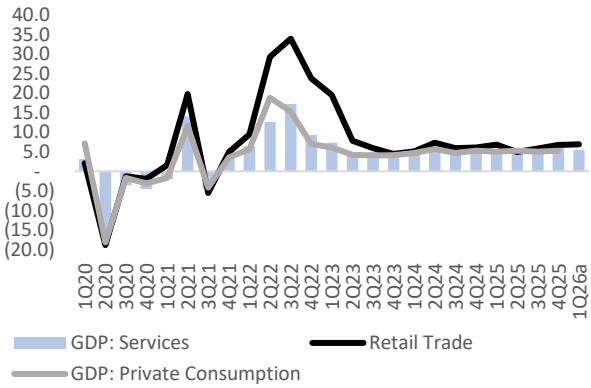
a Advance estimate
Source: Macrobond, MBSBR

Chart 5: Agriculture GDP vs CPO IPI vs Natural Rubber Output (YoY%)



a Advance estimate
Source: Macrobond, DOSM, MBSBR

Chart 6: Services GDP vs Private Consumption vs Retail Trade (YoY%)



a Advance estimate
Source: Macrobond, DOSM, MBSBR

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