Expect 1Q26 GDP to Grow at +5.3%, Similar to the Advance Estimate

1QCY26 Economic Review: National Account Preview



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Economic Review

- Malaysia's economic growth remains resilient, estimated to have maintained growth above +5% in 1QCY26 for the third straight quarter. The sustained growth was backed by growing domestic spending and increased business activities, as well as resilient export performance.
- Recent data suggests the growth for services, mining and agriculture sectors could be marginally lower than advance estimates. Construction sector growth could be revised upward, while the manufacturing sector growth is expected to remain broadly similar to the earlier estimate.
- We estimate the full-quarter GDP growth in 3QCY25 will be around +5.3%yoy (4QCY25: +6.3%yoy), similar to the advance estimate. The main driver of growth would be increased domestic spending, supporting still encouraging growth in the services sector. For the year, we maintain our forecast for 2026 GDP growth at +4.2%, moderating from robust +5.2% growth recorded last year.

Economic growth sustained by growing domestic demand

Malaysia's economic growth remains resilient, estimated to have maintained growth above +5% in 1QCY26 for the third straight quarter. We believe growing domestic spending and increased business activities continued to drive growth in 1QCY26, albeit moderating from +6.3%yoy growth in 4Q last year. This is reflected in the encouraging rise in retail spending (+7.1%yoy; 4QCY25: +6.7%yoy) and wholesale trade (+9.2%yoy; 4QCY25: +6.7%yoy). Apart from the cash transfers from the government, domestic spending continued to grow backed by stability in the labour market, growing employment, increased tourist spending and another round of salary revision for the civil servants. In addition, inflation remains under control, albeit accelerating slightly to +1.6%yoy in 1QCY26 (4QCY25: +1.4%yoy). The underlying price pressures are generally still contained, having stabilized around +2.0-2.2%yoy in the recent 3 quarters.

Another quarter of positive contribution from external trade

We expect net exports will also contribute positively with the higher surplus in goods trade, which increased by +54%yoy to +RM63.2b (4QCY25: +RM48.6b; 1QCY25: +RM41b). This reflects the resilience in Malaysia's exports, particularly E&E products which offset weaker commodity exports (i.e. natural gas and palm oil & palm oil-based products). In particular, the larger surplus was attributable to: (a) the pick-up in exports (+12.7%yoy; 4QCY25: +11.0%yoy), driven by both stronger domestic exports and re-exports, and (b) the moderation in imports (+7.7%yoy; 4QCY25: +11.7%yoy). For the trade of services, we expect continued expansion in services exports, on the back of increased tourism activity, as well as increased imports of services, underpinned by growing domestic business activities.

Services activities to moderate further

Analysing the recent supply-side indicators, we expect the services sector growth in the 1QCY26 GDP to moderate at +5.2%yoy, relatively lower than the advance estimate of +5.4%yoy. This is based on the slower growth in the volume index of services sector activity, which moderated to +5.8%yoy in 1QCY26 (4QCY25: +6.5%yoy). Though the slower expansion was broad based, it was more prevailing for wholesale & retail trade, food & beverage and

accommodation (+5.7%yoy; 4QCY25: +6.6%yoy) and other services (+9.3%yoy; 4QCY25: +10.3%yoy). This broad-based deceleration, particularly within wholesale, retail, and hospitality, points toward a more cautious domestic consumption environment than previously anticipated at the start of the year. This in a way reflect a more cautious spending in anticipation of higher inflation and more challenging operating environment, in view of the rise in energy prices and the Middle East conflict.

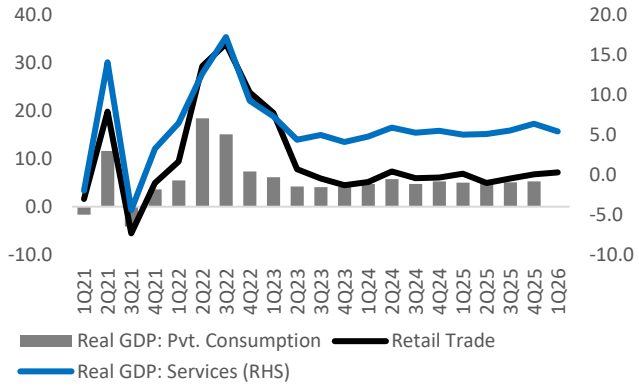
Possible downward adjustment to mining and agriculture growth

In addition, we expect growth for the mining and agriculture sector in 1QCY26 would be lower at -2.8%yoy (adv. estimate: -1.1%yoy) and +2.0%yoy (adv. estimate: +2.8%yoy), respectively. This takes into account recent data which shows weaker output growth in Mar-26 for crude petroleum, natural gas, crude palm oil and natural rubber. In contrast, the construction sector is expected to register stronger growth of approximately +8.5-9.0%yoy. While the value of work done moderated slightly (1QCY26: +8.5%yoy; 4QCY26: +10.3%yoy), the data still suggests a more robust performance than the advance estimate of +7.8%yoy. Meanwhile, the growth for manufacturing sector will be more or less the same as indicated by the advance estimate (+5.8%yoy), taking into account the stability in the manufacturing IPI growth.

Expect 1QCY26 growth at +5.3% as indicated by advance estimate

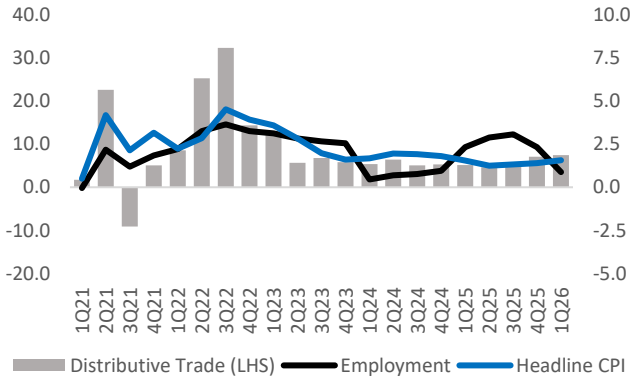
We estimate the full-quarter GDP growth in 3QCY25 will be around +5.3%yoy (4QCY25: +6.3%yoy), similar to the advance estimate. The main driver of growth would be increased domestic spending, supporting still encouraging growth in the services sector. However, recent data suggests a possibility that the pace of growth could be marginally lower at +5.1–5.2%, taking into account the sharper fall in mining output and more moderate expansion in services and agriculture sectors. We do not expect any significant adjustment from the advance estimate given the continued expansion in the manufacturing and construction industries. Also, we continue to expect growth could be limited by higher price and cost pressures, supply chain disruptions and potentially weaker final demand (with risks from extended geopolitical instability and tightening of trade policy). However, this would be mitigated by the strength of domestic demand, supported by still stable labour market, well-contained inflation—thanks to the government policy measures— and continued growth in the tourism sector. For the year, we maintain our forecast for 2026 GDP growth at +4.2%, moderating from robust +5.2% growth recorded last year.

Chart 1: Private Consumption vs Retail Trade and GDP: Services (YoY%)



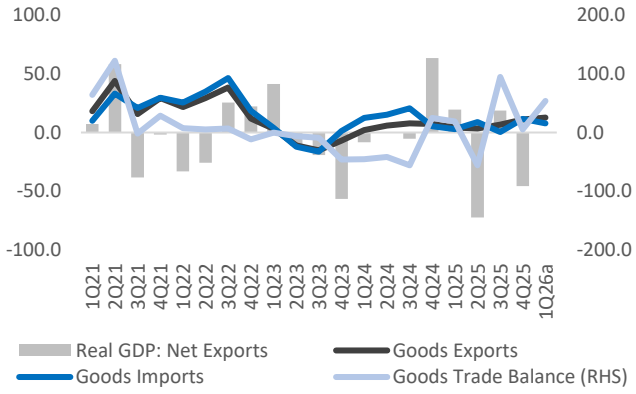
Note: Services GDP for 1QCY26 refers to advance estimate
Source: Macrobond, MBSBR

Chart 2: Distributive Trade vs. CPI and Employment (YoY%)



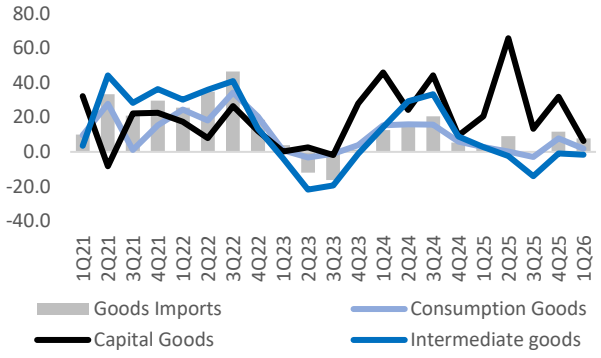
Source: Macrobond, MBSBR

Chart 3: GDP vs. External Trade of Goods (YoY%)



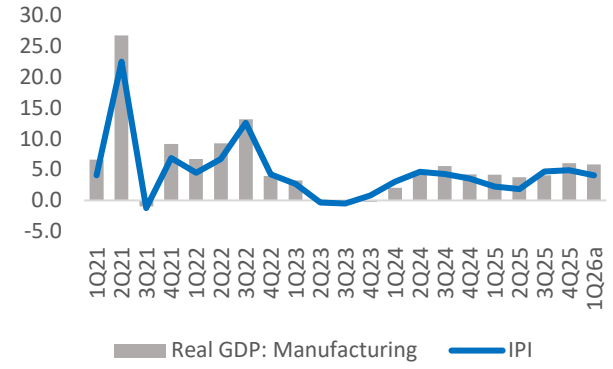
Source: Macrobond, MBSBR

Chart 4: Imports of Goods by End-Use (YoY%)



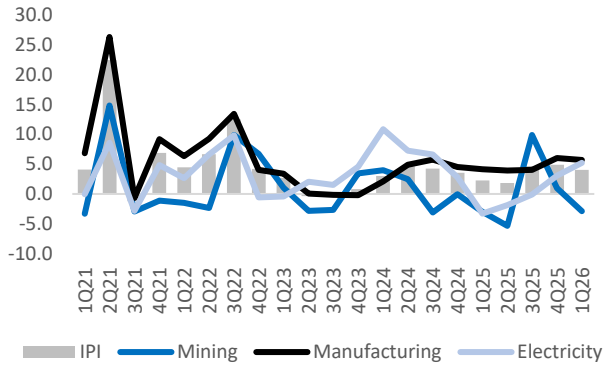
Source: Macrobond, MATRADE, MBSBR

Chart 5: IPI: Manufacturing vs. GDP: Manufacturing (YoY%)



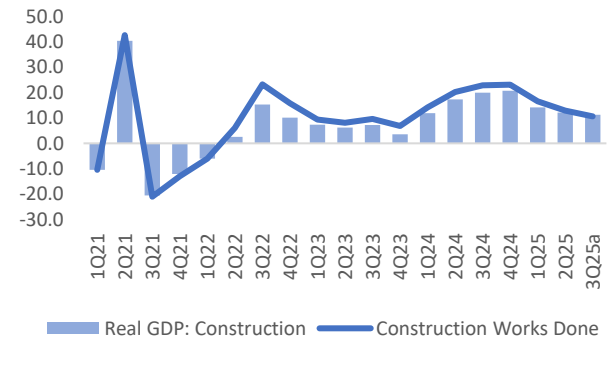
Note: Manufacturing GDP for 1QCY26 refers to advance estimate
Source: DOSM, MBSBR

Chart 6: IPI by Major Sector (YoY%)



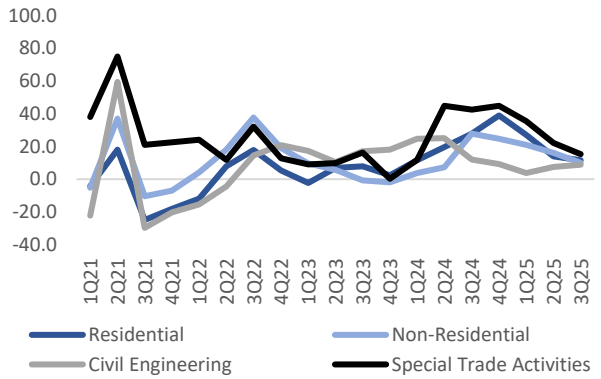
Source: DOSM, MBSBR

Chart 7: Real GDP: Construction vs. Construction Works Done (YoY%)



Note: Construction GDP for 1QCY26 refers to advance estimate
Source: DOSM, MBSBR

Chart 8: Construction Works Done by Segments (YoY%)



Source: DOSM, MBSBR

Table 1: Selected-Macroeconomic Data Updates

YoY% Unless Stated Otherwise	4Q24	1Q25	2Q25	3Q25	4Q25	1Q26
Distributive Trade (DT)	5.3	5.2	4.6	5.5	7.1	7.5
DT: Wholesale Trade	5.0	5.5	5.1	5.8	6.7	9.2
DT: Retail Trade	6.1	6.8	5.0	5.9	6.7	7.1
DT: Motor Vehicles	3.7	(1.7)	1.4	3.3	9.5	2.3
IPI	3.5	2.2	1.8	4.7	4.9	4.0
IPI: Mining	(0.0)	(3.0)	(5.3)	9.9	1.0	(2.9)
IPI: Manufacturing	4.5	4.2	3.9	4.0	6.0	5.7
IPI: Electricity	2.8	(3.3)	(1.9)	(0.1)	3.1	5.2
Manufacturing Sales	4.4	4.0	3.4	3.5	5.8	5.4
Gross Exports of Goods	7.3	4.3	3.3	6.8	11.0	12.7
Domestic Exports	8.8	4.6	(0.6)	(0.2)	4.6	6.6
Re-Exports	3.8	3.9	21.8	36.9	37.2	38.0
Gross Imports of Goods	5.3	2.8	9.0	0.4	11.7	7.7
Trade Balance (RM Billion)	46.0	41.0	14.3	50.7	48.6	63.2
Construction Work Done	23.1	16.6	12.9	10.6	10.3	8.5
Production of Natural Rubber	24.6	9.4	(10.8)	(11.3)	(32.3)	(25.3)
Manufacture of Crude Palm Oil	(6.9)	(6.0)	7.0	(0.9)	18.7	11.5
Employment	1.1	1.9	1.1	0.7	0.9	1.0
Unemployment	(6.1)	(5.3)	(5.6)	(5.3)	(4.2)	(3.1)
Unemployment Rate (%)	3.1	3.1	3.0	3.0	3.0	2.9
Headline CPI Inflation	1.8	1.5	1.3	1.3	1.4	1.6
Core CPI Inflation	1.7	1.9	1.8	2.0	2.2	2.1
USDMYR, Average	4.40	4.45	4.31	4.23	4.15	3.97
USDMYR, End-period	4.47	4.44	4.21	4.21	4.06	4.05
Brent Oil (USD per barrel), Average	74.01	74.97	66.73	68.17	63.06	78.10
CPO (RM per tonne), Average	4,840	4,724	4,056	4,271	4,181	4,139

Source: Macrobond, Bloomberg, MBSBR

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