Malaysia's Economy Remains Resilient Despite GDP Growth Easing to +5.3%yoy

Economic Review
Advance 3QCY26 GDP



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Economic Review

- Malaysia's GDP growth moderated to +5.3%yoy in 3QCY26 (2QCY26: +6.0%yoy), based on the advance estimate, exceeding our expectations and market forecasts. Despite the moderation, growth remained resilient and brought the cumulative 9MCY26 expansion to +5.5% (9MCY25: +4.8%).
- Manufacturing growth strengthened further to +7.5%yoy (2QCY26: +7.3%yoy), supported by export-oriented industries, while services growth moderated to +5.4%yoy (2QCY26: +5.9%yoy). Mining & quarrying contracted by -4.9%yoy (2QCY26: +9.2%yoy), but agriculture rebounded to +1.3%yoy.
- Given the stronger-than-expected performance in the first three quarters, we see upside to our existing full-year 2026 GDP growth forecast of +5.1% (2025: +5.2%), which could potentially reach +5.3–5.4%. Resilient domestic spending, continued investment activities and robust E&E demand should sustain economic expansion. The growth outlook could be weighed down by elevated costs, prolonged geopolitical tensions, tighter trade policies and elevated energy-related inflation.

GDP growth moderated, still beating expectations

Based on the advance estimate, Malaysia's GDP expanded by +5.3%yoy in 3QCY26, moderating from +6.0%yoy in 2QCY26. The resilient growth exceeded our expectations (+4.8-5.0%yoy) and market forecast (+5.0%yoy). Growth was supported by continued expansion in the services, manufacturing and construction sectors, with the agriculture sector returning to positive growth. Meanwhile, mining sector continued to weigh on overall growth during the quarter due to lower crude oil and condensate production. The services and manufacturing sectors remained the key contributors to overall growth, accounting for around 82.6% of GDP, underpinned by resilient domestic demand, on the back of healthy labour market conditions, and continued strength in export-oriented industries. As a result, Malaysia's GDP growth averaged +5.5%yoy in 9MCY26 (9MCY25: +4.8%yoy), highlighting the sustained resilience of the domestic economy.

Resilient services sector and stronger manufacturing output in line with stronger external demand

The services sector continued to expand by +5.4%yoy (2QCY26: +5.9%yoy), supported mainly by the wholesale & retail trade; information & communication; and finance & insurance sub-sectors. Given its dominant share of approximately 59.2% of GDP, the sector continued to provide the largest contribution (+3.2ppt) to the 3Q economic growth. The resilience in services activity was consistent with stronger domestic trade growth, with the distributive trade growing faster at +10.5%yoy in Aug-26 (Jul-26: +9.0%yoy), driven by wholesale and retail trade, alongside continued strength in labour market conditions, with the unemployment rate edging lower to 2.9% in Aug-26.

Meanwhile, manufacturing growth accelerated slightly to +7.5%yoy (2QCY26: +7.3%yoy), marking the strongest expansion in 4 years. This was supported by increased output in the export-oriented industries, particularly electrical, electronic & optical products as well as petroleum, chemical, rubber and plastic products. The stronger manufacturing performance was consistent with sustained external demand, especially in E&E exports driven by AI-related technologies, data centre investments and the global tech upcycle.

Agriculture rebounded, construction remained resilient, but mining contracted again

The agriculture sector rebounded to +1.3%yoy in 3QCY26 (2QCY26: -3.7%yoy), returning to positive territory mainly reflecting the higher output in the oil palm and livestock sub-sectors. Meanwhile, construction activity strengthened slightly to +6.0%yoy (2QCY26: +6.5%yoy), underpinned by continued expansion in non-residential buildings and specialised construction activities. In contrast, the mining & quarrying sector swung into contraction, falling by -4.9%yoy (2QCY26: +9.2%yoy) due to lower production of crude oil and condensate. The weakness was consistent with the further deterioration in mining IPI, which declined faster by -7.4%yoy in Aug-26 (Jul-26: -3.2%yoy), following lower crude petroleum production (-12.2%yoy) and a contraction in natural gas output (-4.3%yoy). The softer mining performance also contrasted sharply with the strong expansion recorded in 2QCY26, when the sector benefited from higher natural gas production and LNG exports.

Quarterly GDP rose by +4.6%qoq

On a quarter-on-quarter basis, Malaysia's GDP rose by +4.6%qoq in 3QCY26 (2QCY26: +1.9%qoq), based on non-seasonally adjusted data, marking a stronger sequential expansion. Agriculture recorded the largest increase at +19.1%qoq, mainly driven by stronger palm oil production. This followed by stronger construction activities (+8.2%qoq), higher manufacturing output (+4.9%qoq) and growing activities in the services sector (+3.8%qoq). In contrast, mining & quarrying contracted by -5.3%qoq, reflecting weaker production of crude petroleum oil & condensates and natural gas. Notably, the stronger quarterly growth in manufacturing and services suggests that both domestic and external demand remained supportive during the quarter.

External demand remained supportive of manufacturing

We believe the sustained strength in export-oriented manufacturing indicates that external demand continued to support growth in 3QCY26. In particular, the sustainable rise in exports of E&E and optical products suggests that demand for E&E-related output remained an important driver, amid continued investment in AI-related technologies and advanced electronics. Nevertheless, the advance GDP estimate only provides a production-side assessment, and the detailed expenditure breakdown, including the contribution from net exports and private consumption, is not yet available. Available external trade data show that the combined trade surplus of goods amounting to +RM50.6b in Jul-26 and Aug-26, approximately +64.8%yoy higher than a year ago, signaling net exports of goods remained supportive of the GDP growth in 3QCY26.

Potential upward GDP forecast revision after November data

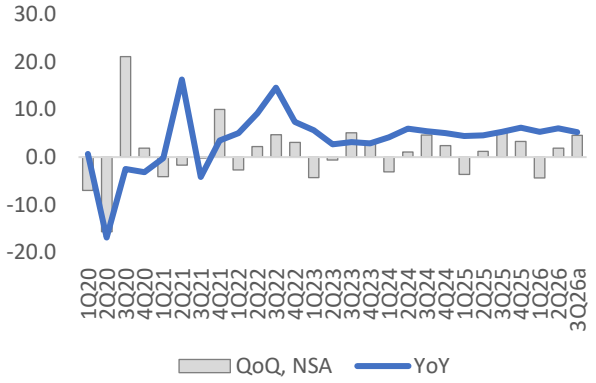
Given the stronger-than-expected performance in the first three quarters, we see upside to our existing full-year 2026 GDP growth forecast of +5.1% (2025: +5.2%), which could potentially reach +5.3–5.4%. Nevertheless, we expect growth to moderate in the final quarter as the pace of expansion may return to more normal levels, with challenges from elevated cost pressures, potential supply-chain disruptions and softer final demand due to high inflation and tighter monetary policy, particularly in major economies. Despite these challenges, growth should remain positive, supported by resilient domestic spending amid healthy labour market conditions, continued infrastructure development and increased investment as inward investments translate into local production. Strong E&E demand should also sustain export growth, with the better-than-expected external trade performance presenting further upside to our growth projection. Meanwhile, prolonged geopolitical tensions, tighter trade policies and elevated energy-related inflation remain key downside risks to the outlook. We will finalise and formally update our 2026 GDP growth forecast following the release of the full quarter 3QCY26 GDP data next month.

Table 1: Summary of GDP by Major Sectors

	QoQ					YoY				
	3Q25	4Q25	1Q26	2Q26	3Q26[a]	3Q25	4Q25	1Q26	2Q26	3Q26[a]
GDP	**5.4**	**3.3**	**(4.4)**	**1.9**	**4.6**	**5.3**	**6.2**	**5.4**	**6.0**	**5.3**
Agriculture	13.3	(7.2)	(10.4)	2.2	19.1	0.2	5.7	2.6	(3.7)	1.3
Mining & Quarrying	8.7	9.2	(6.8)	(1.3)	(5.3)	9.4	1.4	(2.1)	9.2	(4.9)
Manufacturing	4.7	3.8	(3.8)	2.7	4.9	4.1	6.0	5.9	7.3	7.5
Construction	8.8	(1.9)	(1.1)	1.0	8.2	11.7	10.9	7.7	6.5	6.0
Services	4.3	4.1	(3.9)	1.5	3.8	5.3	6.2	5.6	5.9	5.4

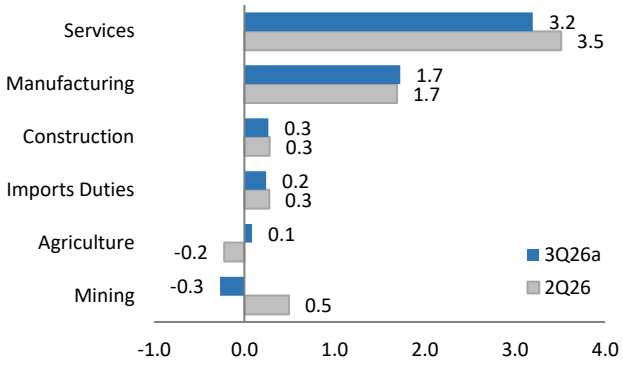
* Non-seasonally adjusted [a] Advance estimate
Source: Macrobond, MBSBR

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



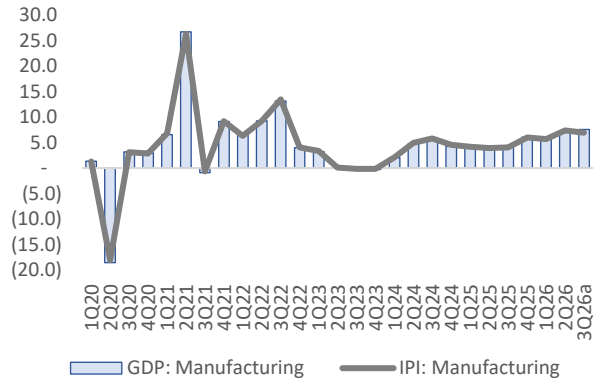
a Advance estimate
Source: Macrobond, MBSBR

Chart 2: Contribution to 3QCY26 GDP Growth by Major Sector (%-point)



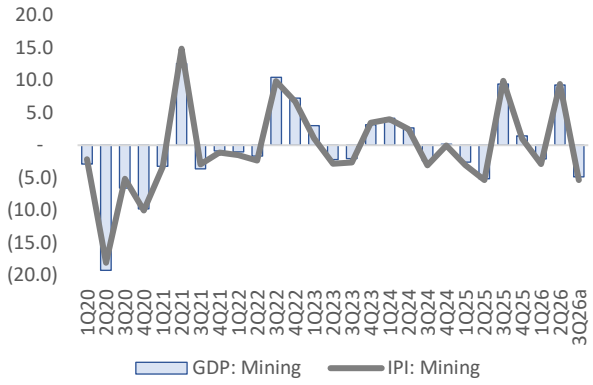
a Advance estimate
Source: Macrobond, MBSBR

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



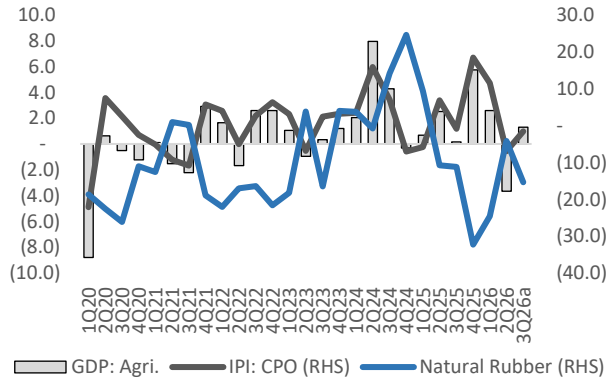
a Advance estimate
Source: Macrobond, MBSBR

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



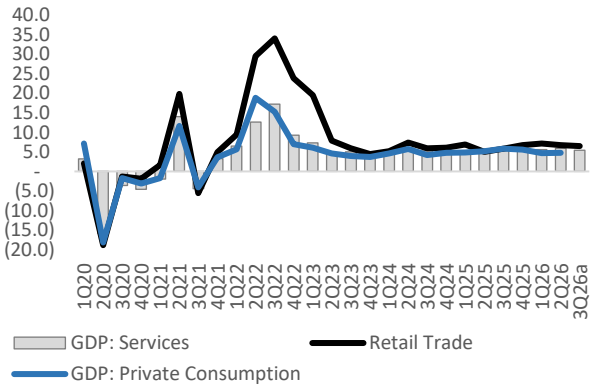
a Advance estimate
Source: Macrobond, MBSBR

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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