Malaysia's GDP Growth Signals Resilience, Albeit Moderating to +5.5%yoy in 3Q26

3QCY26 Economic Review: National Account



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Economic Review

- Malaysia's GDP expanded by +5.5%yoy in 3QCY26, moderating from +6.0%yoy in 2QCY26, but exceeding the official advance estimate and our expectations. The moderation reflects the slower growth in the services and construction sectors, alongside a renewed contraction in mining output.
- Domestic demand remained the key growth anchor, rising by +5.5%yoy in 3QCY26 (2QCY26: +3.7%yoy) and contributing +5.2ppt, or about 95%, to overall GDP growth. Private consumption remained the largest contributor at +2.7ppt, followed by private investment at +1.6ppt and inventories at +0.6ppt. Meanwhile, net exports contributed a smaller +0.3ppt (2QCY26: +2.4ppt), as real import growth of +26.7%yoy outpaced export growth of +25.2%yoy.
- On the supply side, services growth remained resilient at +5.8%yoy in 3QCY26 (2QCY26: +5.9%yoy), while manufacturing accelerated to +7.7%yoy (2QCY26: +7.3%yoy), led by E&E-related industries. Agriculture rebounded to +1.4%yoy (2QCY26: -3.6%yoy) on the recovery in oil palm output. In contrast, construction growth moderated to +5.9%yoy (2QCY26: +6.5%yoy), while mining contracted by -6.1%yoy (2QCY26: +9.2%yoy) amid lower crude oil and natural gas production.
- We upgrade our projection for Malaysia's 2026 GDP growth to +5.4% from +5.1% previously (2025: +5.2%), following the stronger-than-expected expansion of +5.6%yoy in 9MCY26. We remain cautious that Malaysia's economic outlook may be constrained by several downside risks, such as potential sector-specific restrictions (particularly the semiconductor industry), slower final demand, heightened geopolitical tensions and prolonged trade and supply-chain disruptions.

GDP moderated to +5.5%yoy in 3QCY26, remained resilient despite moderating

Malaysia's GDP expanded by +5.5%yoy in 3QCY26, moderating from +6.0%yoy in 2QCY26, but exceeding the official advance estimate (+5.3%yoy) and our expectations (+5.4%yoy). The moderation reflects the slower growth in the services and construction sectors, alongside a renewed contraction in mining output. Nevertheless, manufacturing growth strengthened further, supported by robust E&E-related activity, while agricultural output rebounded on the recovery in oil palm production. From the demand side, domestic demand accelerated to +5.5%yoy (2QCY26: +3.7%yoy), underpinned by stronger private investment and a positive contribution from inventory accumulation, which offset softer private and government consumption. On a seasonally adjusted basis, GDP grew by +1.5%qoq (2QCY26: +2.5%qoq), bringing cumulative growth to +5.6%yoy in 9MCY26.

Domestic demand strengthened, led by private investment inventories

The sustained expansion in domestic economic activity remained the key anchor for Malaysia's growth in 3QCY26. Domestic demand grew by +5.5%yoy (2QCY26: +3.7%yoy) and contributed +5.2ppt, or about 95%, to the overall GDP growth of +5.5%yoy. This was higher than +3.7ppt, or about 61%, in 2QCY26. Private consumption remained the largest contributor at +2.7ppt (2QCY26: +2.9ppt), followed by private investment at +1.6ppt (2QCY26: +0.8ppt), changes in inventories at +0.6ppt (2QCY26: -1.3ppt), government consumption at +0.2ppt (2QCY26: +0.9ppt) and public investment at +0.1ppt (2QCY26: +0.3ppt). The larger contribution from domestic demand was mainly driven by stronger investment, especially by the private sector, which more than offset smaller contributions from consumption spending, by both private sector and the government. Accordingly, GFCF growth strengthened to +8.1%yoy in 3QCY26 (2QCY26: +4.6%yoy), underpinned by stronger private investment growth of +9.4%yoy

(2QCY26: +4.3%yoy) while public investment growth moderated to +3.0%yoy (2QCY26: +6.3%yoy). On another note, despite the marginal increase in inventories, the larger contribution to GDP growth reflected a turnaround from a relatively larger destocking in 3QCY25.

We expect domestic demand to remain the primary driver of Malaysia's GDP expansion, supported by resilient household spending, sustained private investment and ongoing infrastructure projects. The continued recovery in tourism, alongside higher visitor arrivals and spending, should provide further support to consumer-facing services and retail activity. This includes USD1.85b in proposed initial seed capital, comprising USD1.0b for Sarawak and USD850m for Peninsular Malaysia, with a longer-term target of at least 5GW of AI computing capacity. Nevertheless, softer private consumption growth of +4.3%yoy in 3QCY26 (2QCY26: +4.8%yoy) suggests that households turned more cautious in their spending amid inflation risks that could weigh on purchasing power. On the external front, strong AI-related and semiconductor demand should continue to support manufacturing and exports. However, potential sector-specific semiconductor restrictions, slower growth in major advanced economies and heightened geopolitical tensions remain key downside risks. Strong import growth, partly reflecting firmer demand for capital and intermediate goods, may also limit the contribution from net exports.

Quarterly growth strengthened, despite softer momentum

On a quarter-on-quarter basis, Malaysia's GDP growth accelerated to +4.8%qoq in 3QCY26 (2QCY26: +1.9%qoq). All sectors except mining recorded stronger growth, led by a rebound in agriculture, alongside firmer growth in manufacturing, construction and services. Based on seasonally adjusted data, however, GDP growth moderated to +1.5%qoq (2QCY26: +2.5%qoq), following the strong expansion in the previous quarter. From the demand side, the quarterly increase was supported by stronger private and government consumption, as well as a rebound in public investment. However, private investment contracted after expanding in the previous quarter. Real exports grew further by +13.5%qoq (2QCY26: +13.1%qoq), while real import growth moderated to +12.0%qoq (2QCY26: +15.7%qoq), indicating that external trade activity remained firm.

Net exports remained positive, though contribution narrowed

Net exports contributed +0.3ppt to GDP growth in 3QCY26, significantly lower than the +2.4ppt contribution recorded in 2QCY26. Nevertheless, the goods trade surplus remained sizeable at RM33.3bn, with exports of goods rising by +4.3%qoq to RM293.6bn. Real export growth accelerated to +25.2%yoy (2QCY26: +17.0%yoy), supported by robust external demand, including AI-related and semiconductor activity. However, real import growth rose at a faster pace of +26.7%yoy (2QCY26: +13.9%yoy), limiting the overall contribution from net exports. Consequently, real net exports grew by a more moderate +5.7%yoy, compared with +168.5%yoy in 2QCY26, when growth was boosted by a favourable base effect. We expect robust technology-related demand to continue supporting Malaysia's exports in the coming quarters. Nevertheless, sustained import growth, partly associated with firm domestic and investment activity, could continue to limit the contribution from net exports. Potential sector-specific semiconductor restrictions, softer growth in major advanced economies and heightened geopolitical tensions remain key downside risks to Malaysia's external outlook.

Current account surplus narrowed despite larger goods surplus

Malaysia's current account surplus narrowed to +RM5.7b in 3QCY26 (2QCY26: +RM10.8b), or approximately +1.0% of nominal GDP (2QCY26: +2.0%). The larger surplus in goods trade (1QCY26: +RM56.2b; 2QCY26: +RM40.7b) was more than offset by a wider deficit in services trade (1QCY26: -RM6.9b; 2QCY26: -RM0.7b) and a substantially larger primary income deficit of -RM41.8b (2QCY26: -RM27.2b). The secondary income deficit narrowed slightly to -RM1.9b (2QCY26: -RM2.1b). During the quarter, the financial account recorded a net inflow of +RM19.8b (2QCY26: -RM27b), including larger net FDI inflows of +RM14.3b (2QCY26: +RM7.4b). We expect the current account to remain in surplus, although sustained income outflows and services payments could limit the upside despite robust merchandise trade. In terms of current account to GDP, we expect the ratio to improve slightly towards +1.9% in 2026 (2025: +1.6%), thus remaining below 2% of GDP since 2023.

Services sector remained the main anchor, while manufacturing growth strengthened

On the supply-side:

- **Services:** Growth remained resilient at +5.8%yoy in 3QCY26 (2QCY26: +5.9%yoy), supported by private healthcare, real estate, insurance and ICT. Accommodation growth moderated but remained firm amid the continued tourism recovery.
- **Construction:** Growth moderated further to +5.9%yoy in 3QCY26 (2QCY26: +6.5%yoy). The non-residential segment remained the main driver, with growth accelerating to +16.7%yoy (2QCY26: +9.6%yoy). However, residential construction slowed sharply to +0.2%yoy (2QCY26: +4.7%yoy), while civil engineering remained subdued at +0.5%yoy (2QCY26: +1.1%yoy).
- **Manufacturing:** Growth accelerated to +7.7%yoy in 3QCY26 (2QCY26: +7.3%yoy), driven by electronic components and boards, communication equipment and consumer electronics (+18.9%yoy). Medical, precision and optical products also recorded strong growth of +18.2%yoy, while machinery and equipment expanded faster by +12.1%yoy.
- **Mining:** Output contracted by -6.1%yoy in 3QCY26, reversing the +9.2%yoy expansion in 2QCY26, due to a sharper contraction in crude oil production of -12.4%yoy (2QCY26: -3.6%yoy), while natural gas output fell by -2.9%yoy (2QCY26: +19.3%yoy).
- **Agriculture:** The sector rebounded by +1.4%yoy in 3QCY26 (2QCY26: -3.6%yoy), supported by a recovery in oil palm output to +2.3%yoy (2QCY26: -9.5%yoy). Livestock grew sustainably by +3.2%yoy, while marine fishing returned to marginal growth of +0.2%yoy (2QCY26: -7.0%yoy). Nevertheless, rubber and forestry and logging continued to contract by -5.9%yoy and -5.1%yoy, respectively.

Global growth remained uneven

Economic growth across major economies was mixed in 3QCY26 but continued to show resilience on the back of increased demand in the technology sector and amid challenges from geopolitical risks. The US economy expanded at an annualised rate of +3.4%qoq (2QCY26: +2.2%qoq), although annual growth moderated slightly to +2.1%yoy (2QCY26: +2.2%yoy). The sustained growth, nevertheless, was driven by increased spending and investment activities. China's economy grew by +4.5%yoy (2QCY26: +4.3%yoy), indicating a modest improvement in growth momentum. The growth was stronger than expected, backed by measures to promote domestic spending, and continued expansion in industrial activities and exports. Meanwhile, growth strengthened in the UK to +1.9%yoy (2QCY26: +1.4%yoy) and the euro area to +1.3%yoy (2QCY26: +1.2%yoy). Across Asia, Taiwan continued to outperform with growth of +14.4%yoy (2QCY26: +12.9%yoy), supported by robust AI and semiconductor demand. Growth also accelerated in Indonesia to +5.5%yoy (2QCY26: +5.3%yoy) and Thailand to +2.9%yoy (2QCY26: +2.4%yoy). In contrast, growth moderated in Singapore to +5.4%yoy (2QCY26: +6.2%yoy), South Korea to +3.4%yoy (2QCY26: +3.7%yoy) and the Philippines to +2.1%yoy (2QCY26: +2.4%yoy).

Upgrade full-year 2026 GDP growth forecast to +5.4%

We upgrade our projection for Malaysia's 2026 GDP growth to +5.4% from +5.1% previously (2025: +5.2%), following the stronger-than-expected expansion of +5.6%yoy in 9MCY26. The revised forecast assumes that growth will moderate to around +4.8%yoy in 4QCY26, anticipating the growth momentum to return back to a more normal level. The sustained growth will continue to be anchored by domestic demand, supported by resilient household spending, increased investment activities, ongoing infrastructure projects and the continued growth in tourism sector. The investment outlook is further strengthened by plans to develop AI infrastructure across Sarawak and Peninsular Malaysia, including USD1.85b in proposed initial seed capital and broader long-term investment potential of up to USD50b. The external sector would also remain supportive, underpinned by robust demand for E&E products and other commodities.

Nevertheless, Malaysia's open economy remains exposed to potential sector-specific semiconductor restrictions, slower final demand in major economies, heightened geopolitical tensions and prolonged trade and supply-chain disruptions. Domestically, inflationary pressures could weigh on household purchasing power, while sustained import growth may limit the contribution from net exports. Overall, firm domestic activity and technology-related investment should allow Malaysia's economy to maintain growth above +5.0% in 2026.

Table 1: Summary of GDP by Expenditure Approach

	Quarterly Basis (QoQ %)					Year-on-Year (YoY %)				
	3Q25	4Q25	1Q26	2Q26	3Q26	3Q25	4Q25	1Q26	2Q26	3Q26
GDP	**5.4**	**3.3**	**(4.4)**	**1.9**	**4.8**	**5.3**	**6.2**	**5.4**	**6.0**	**5.5**
Domestic Demand	1.7	5.6	(6.3)	3.1	3.4	4.2	8.0	5.0	3.7	5.5
Private Consumption	5.8	(2.6)	1.8	(0.1)	5.3	5.8	5.6	4.7	4.8	4.3
Govt. Consumption	10.2	27.3	(25.3)	2.6	3.6	5.8	6.6	4.1	7.6	1.2
Private Investment	(7.0)	(17.3)	26.3	7.3	(2.4)	7.4	9.2	7.8	4.3	9.4
Public Investment	14.8	70.3	(39.7)	(9.7)	11.1	7.5	9.5	5.3	6.3	3.0
Real Exports	6.1	1.4	(3.8)	13.1	13.5	4.6	6.3	5.2	17.0	25.2
Real Imports	0.7	4.7	(6.6)	15.7	12.0	3.0	9.0	4.6	13.9	26.7
Net Exports	264.4	(41.4)	62.5	(22.6)	43.5	32.2	(32.9)	13.5	168.5	5.7

Note: QoQ is non-seasonally adjusted
Source: Macrobond, MBSBR

Table 2: Summary of GDP by Supply-Side Approach

	QoQ%			YoY%		
	1Q26	2Q26	3Q26	1Q26	2Q26	3Q26
GDP	**(4.4)**	**1.9**	**4.8**	**5.4**	**6.0**	**5.5**
Agriculture, Forestry & Fishing	**(10.4)**	**2.3**	**19.2**	**2.6**	**(3.6)**	**1.4**
Rubber	(6.8)	(7.3)	29.3	(25.0)	(4.5)	(5.9)
Oil Palm	(30.3)	7.2	30.1	5.5	(9.5)	2.3
Livestock	2.3	(6.6)	12.5	8.2	3.1	3.2
Other Agriculture	9.3	4.3	9.2	1.5	1.1	0.6
Forestry & Logging	(10.4)	1.0	12.1	3.8	(10.6)	(5.1)
Marine Fishing	14.1	(13.9)	33.2	(9.1)	(7.0)	0.2
Aquaculture	(18.1)	28.5	14.7	(1.0)	(0.2)	1.3
Mining & Quarrying	**(6.8)**	**(1.3)**	**(6.5)**	**(2.1)**	**9.2**	**(6.1)**
Crude Oil	(10.1)	(0.2)	(10.7)	(4.2)	(3.6)	(12.4)
Natural Gas	(4.2)	2.0	(8.2)	(2.1)	19.3	(2.9)
Others	(9.1)	(21.7)	21.5	4.9	6.7	(1.0)
Manufacturing	**(3.8)**	**2.7**	**5.1**	**5.9**	**7.3**	**7.7**
Vegetable & Animal Oils & Fats	(27.3)	11.9	(1.0)	11.5	(3.1)	(3.3)
Food Processing	(9.0)	14.0	10.8	8.0	6.1	7.1
Beverages	(18.0)	27.6	(3.2)	10.5	7.7	3.4
Tobacco Products	19.7	27.5	(38.2)	2.8	4.5	3.9
Textile & Wearing Apparel	0.5	(8.7)	6.2	0.0	0.5	1.0
Leather Products	28.6	17.2	(23.3)	5.1	4.1	1.9
Wood Products	(2.6)	(3.1)	11.8	3.5	3.6	1.9
Paper Products	10.1	2.8	11.8	(1.2)	4.2	4.0
Printing	2.3	(18.2)	(1.8)	8.8	6.1	7.6
Refined Petroleum Products	(3.0)	0.4	10.3	(1.8)	4.6	4.0
Chemicals & Chemical Products	(8.6)	(3.1)	12.9	(0.3)	2.5	0.6
Rubber Products	(27.9)	33.0	12.2	(2.0)	1.4	1.7
Plastic Products	(9.0)	3.0	45.8	(1.9)	2.6	2.2
Non-Metallic Mineral Products	1.3	(1.9)	3.7	3.8	5.6	6.6
Basic Metals	(16.5)	26.6	2.8	5.1	7.7	10.2
Fabricated Metal Products	5.9	(3.6)	(6.0)	5.7	4.3	3.5
Machinery & Equipment	37.3	(19.8)	8.9	5.4	9.1	12.1
Computers & Peripheral Equipment	(19.6)	4.3	37.8	(2.2)	1.0	5.7

Electrical Equipment	(16.2)	19.1	(19.0)	2.8	3.1	6.1
Electronic Compo & Boards, Com Equip and Elect	15.3	(9.4)	7.1	15.6	17.0	18.9
Medical, Precision & Optical, Watches & Clocks	(39.9)	36.6	10.2	16.2	19.1	18.2
Motor Vehicles & Transport Equipment	(33.8)	45.3	(18.9)	(3.4)	4.3	2.8
Furniture	24.4	4.5	(28.9)	5.0	6.3	9.7
Other Mfg and Repair & Installation and Equipment	(20.9)	0.7	38.1	5.7	6.3	7.2
Construction	**(1.1)**	**1.0**	**8.1**	**7.7**	**6.5**	**5.9**
Residential	(4.8)	2.9	6.4	3.9	4.7	0.2
Non-Residential	(14.7)	3.8	12.8	10.1	9.6	16.7
Civil Engineering	6.3	(4.6)	14.0	0.7	1.1	0.5
Special Trades	8.9	2.6	0.3	15.9	10.4	6.6
Services	**(3.9)**	**1.5**	**4.2**	**5.6**	**5.9**	**5.8**
Electricity & Gas	(3.5)	7.7	1.6	5.0	7.1	8.0
Water, Sewerage and Waste Management	(5.0)	5.0	4.3	1.3	3.7	3.6
Wholesale Trade	(11.5)	4.9	12.0	6.0	4.8	4.3
Retail Trade	(5.0)	(2.7)	1.4	4.7	4.1	3.9
Motor Vehicles	(25.3)	10.8	27.3	1.1	7.5	6.5
Food & Beverage	(0.4)	0.5	2.6	6.2	5.4	5.5
Accommodation	0.9	(0.7)	2.6	13.5	9.7	8.6
Transportation & Storage	0.2	1.4	0.3	8.5	7.0	6.4
ICT	1.4	2.4	3.8	7.2	8.3	8.7
Finance	(0.6)	3.8	(0.1)	(0.2)	2.7	3.8
Insurance	19.2	(7.2)	(3.9)	4.3	7.0	8.9
Real Estate	0.2	3.1	4.1	7.6	10.0	9.4
Business Services	1.2	1.4	1.2	6.4	5.6	5.2
Private Health	0.5	0.6	3.2	10.5	9.3	9.4
Private Education	3.7	(0.7)	4.4	8.5	6.1	8.5
Other Services	0.8	(0.7)	3.7	5.3	4.4	4.5
Govt. Services	(8.9)	1.4	4.9	5.9	6.5	6.0
Import Duties	**(9.0)**	**18.3**	**2.0**	**29.2**	**19.5**	**17.4**

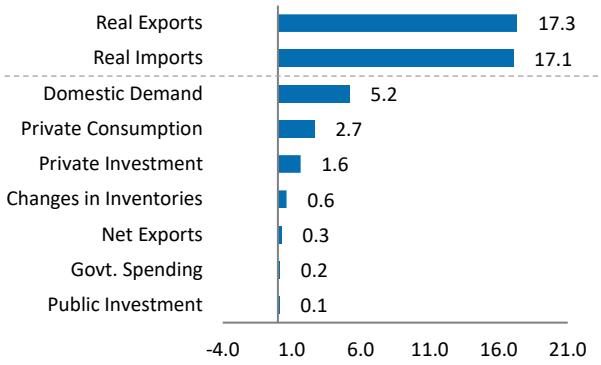
Source: DOSM, Macrobond, MBSBR

Table 4: GDP Growth by Selected Economies (YoY%)

	4Q24	1Q25	2Q25	3Q25	4Q25	1Q26	2Q26	3Q26
Malaysia	5.0	4.4	4.6	5.3	6.2	5.4	6.0	5.5
Indonesia	5.0	4.9	5.1	5.0	5.4	5.6	5.3	5.5
Philippines	5.3	5.4	5.4	4.0	3.0	2.8	2.4	2.1
Thailand	3.7	3.1	2.8	1.2	2.5	3.1	2.4	2.9
Singapore	5.3	4.5	5.4	4.5	5.7	6.4	6.2	5.4
China	5.4	5.4	5.2	4.8	4.5	5.0	4.3	4.5
Taiwan	4.1	5.5	7.7	8.4	13.0	15.4	12.9	14.4
South Korea	1.1	0.2	0.7	2.1	1.6	3.8	3.7	3.4
Japan	0.9	1.6	2.0	0.6	0.5	0.7	0.9	1.1
UK	1.9	1.8	1.1	1.2	0.8	0.8	1.4	1.9
Euro area	1.5	1.6	1.4	1.2	1.1	0.6	1.2	1.3
US	2.6	2.3	2.4	2.6	2.0	2.6	2.2	2.1
QoQ%, annualized	*2.4*	*0.1*	*4.0*	*3.9*	*0.2*	*2.5*	*2.2*	*3.4*

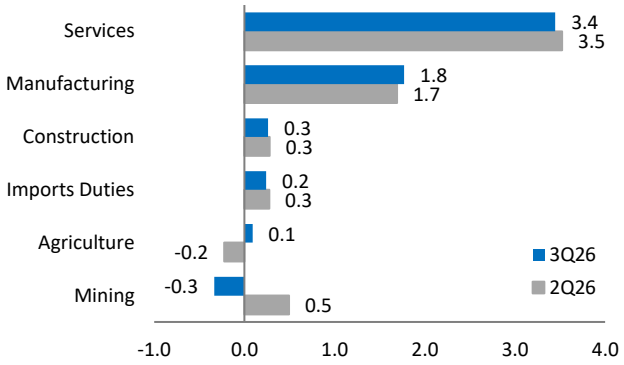
Source: DOSM, Macrobond, MBSBR

Chart 1: Contribution by Expenditure Components to 3QCY26 GDP Growth (%-point)



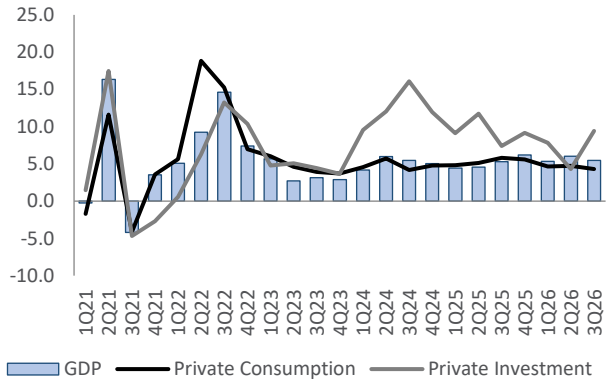
Source: Macrobond, MBSBR

Chart 2: Contribution by Supply-Side Components to 3QCY26 GDP Growth (%-point)



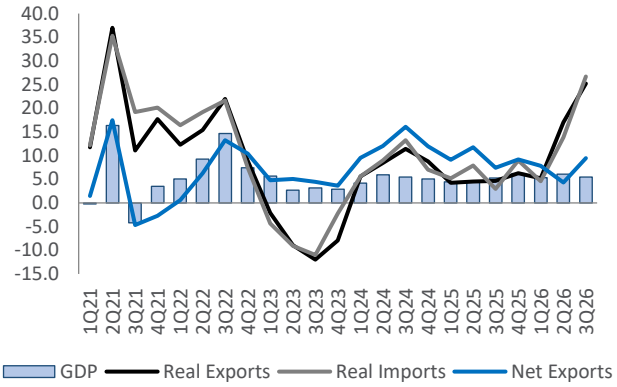
Source: Macrobond, MBSBR

Chart 3: GDP vs Private Sector (YoY%)



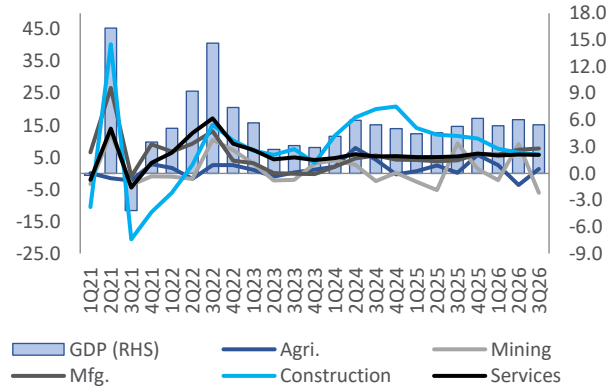
Source: Macrobond, MBSBR

Chart 4: GDP vs External Trade (YoY%)



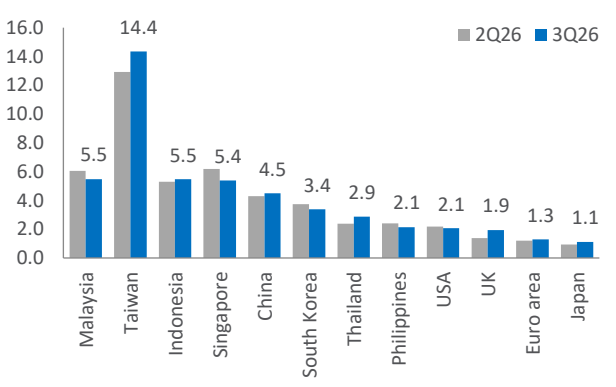
Source: Macrobond, MBSBR

Chart 5: GDP by Supply-Side (YoY%)



Source: Macrobond, MBSBR

Chart 6: GDP Growth for Selected Countries (YoY%)



Source: Macrobond, MBSBR

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