

17 April 2026

# Malaysia 1Q26 Advance GDP

Growth slows to 5.3% in 1Q26, rising energy risks cloud outlook

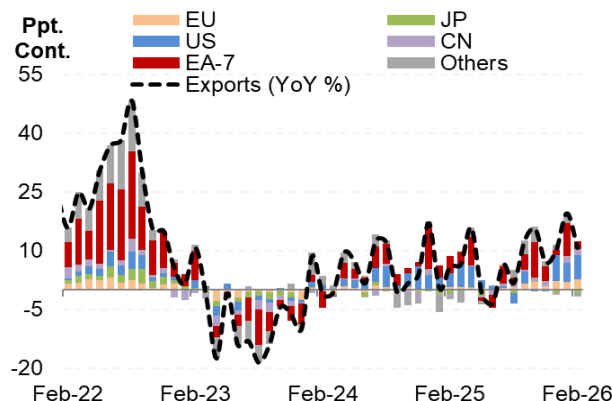
- The Department of Statistics (DOSM) 1Q26 Advance GDP estimate shows growth moderated to 5.3% (4Q25: 6.3%),** beating our house forecast of 4.7% but fell short of Bloomberg's consensus of 5.5%
  - On a seasonally adjusted QoQ basis, growth contracted 4.4% (4Q25: 3.3%). Full 1Q26 GDP, including demand and supply details, will be released on 15 May.
- Broad-based moderation, manufacturing holds firm**
  - Services** (5.4%; 4Q25: 6.3%): Growth eased, but supported by wholesale & retail trade, information & communication, and transportation & storage sub-sectors.
  - Manufacturing** (5.8%; 4Q25: 6.1%): Moderated slightly but remained firm, led by higher output in electrical, electronic & optical, vegetable & animal oils & fats, food processing, non-metallic mineral, basic metal & fabricated metal products sub-sectors.
  - Mining and quarrying** (-1.1%; 4Q25: 2.0%): Contracted on lower crude oil & condensate, and natural gas production.
  - Construction** (7.8%; 4Q25: 11.0%): Slowed sharply, ending an eight-quarter streak of double-digit growth. Nonetheless, activity remained positive, driven by specialised construction works and non-residential buildings.
  - Agriculture** (2.8%; 4Q25: 5.4%): Slowed sharply due to contraction in the rubber and fishing sub-sectors, partially offset by stronger oil palm and livestock output.
- We maintain our 1Q26 GDP growth forecast at 4.7% for now, with potential upward revision pending March data**
  - We remain cautious on the impact on the Middle East conflict since March on energy demand and supply chains. A prolonged war would disrupt global supply chains, particularly in mining related and other key sectors, while rising prices would erode purchasing power and dampen demand.
  - Drivers:** Nonetheless, overall growth remains anchored by domestic sectors, led by services, supported by rising AI adoption and investment, higher household incomes, low unemployment, realisation of approved investments, and potentially enhanced targeted cash transfers. With the OPR expected to hold at 2.75% through 2026, monetary policy remains supportive of consumption and domestic investment. We expect manufacturing to remain resilient, underpinned by E&E demand tied to global AI and data centre expansion.
  - Risks:** External risks remained elevated. Heightened Middle East tensions are driving oil price volatility and raising risks to inflation, external demand, and the timeline for global monetary policy normalisation. While higher O&G prices may support fiscal revenue, elevated energy costs could erode purchasing power and compress margins for energy-intensive sectors. US tariffs uncertainty remains a downside risk, though near-term concerns have eased. Domestically, risks are manageable but gradually rising. Targeted subsidy rationalisation has had limited inflationary impact so far, but persistently higher unsubsidised fuel prices, particularly diesel, could increasingly weigh on business cost, demand, and business confidence.
  - Outlook:** We maintain our 2026 GDP forecast at 4.5%, with upside potential to revise to 5.0% if momentum is sustained towards de-escalation of the Middle East conflict. Our outlook remains cautiously optimistic, balanced against persistent external risks from ongoing Middle East tensions.

Table 1: Malaysia GDP Growth (constant 2015 prices)

YoY %	3Q25	4Q25	DOSM 1Q26E	KIBB 1Q26F
<b>By Sector</b>				
Agriculture	0.1	5.4	2.8	1.2
Mining	9.7	2.0	-1.1	-2.2
Manufacturing	4.1	6.1	5.8	4.9
Construction	11.8	11.0	7.8	11.6
Services	5.5	6.3	5.4	5.1
<b>Real GDP</b>	<b>5.4</b>	<b>6.3</b>	<b>5.3</b>	<b>4.7</b>

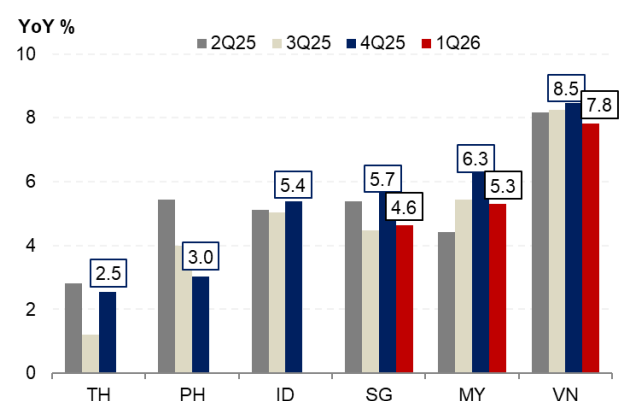
Source: DoSM, BNM, MoF, Kenanga Research. E: advance estimate

Graph 1: Exports by Destination (ppt contribution)



Source: Dept. of Statistics, Kenanga Research

Graph 2: ASEAN-5 (+VN) GDP Growth



Source: Dept. of Statistics, Kenanga Research

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**Table 2: Malaysia GDP Growth (constant 2015 prices)**

YoY %	2023	2024	1Q25	2Q25	3Q25	4Q25	1H25	2H25	2025	Kenanga	
										1Q26F	2026F
<b>By Sector</b>											
Agriculture	0.2	3.1	0.7	2.5	0.1	5.4	1.6	2.6	2.2	1.2	1.7
Mining	0.5	0.9	-2.7	-5.2	9.7	2.0	-3.9	5.6	0.7	-2.2	-1.2
Manufacturing	0.7	4.2	4.1	3.7	4.1	6.1	3.9	5.1	4.5	4.9	3.9
Construction	6.0	17.5	14.2	12.1	11.8	11.0	13.1	11.4	12.2	11.6	8.0
Services	5.1	5.3	5.0	5.1	5.5	6.3	5.0	5.9	5.5	5.1	5.2
<b>Real GDP</b>	<b>3.5</b>	<b>5.1</b>	<b>4.4</b>	<b>4.4</b>	<b>5.4</b>	<b>6.3</b>	<b>4.4</b>	<b>5.9</b>	<b>5.2</b>	<b>4.7</b>	<b>4.5</b>
<b>By Expenditure</b>											
Consumption	4.4	5.0	4.9	5.5	5.4	5.8	5.2	5.6	5.4	5.4	6.1
Public	3.4	4.7	4.3	6.4	7.1	8.0	5.3	7.6	6.6	5.8	6.4
Private	4.6	5.1	5.0	5.3	5.0	5.3	5.2	5.2	5.2	5.3	6.0
Investment	5.4	12.0	9.7	12.1	7.4	9.3	10.9	8.3	9.6	8.9	9.8
Public	8.5	11.1	11.6	13.6	7.4	9.5	12.6	8.7	10.3	9.6	9.3
Private	4.5	12.3	9.2	11.8	7.3	9.2	10.6	8.2	9.4	8.7	9.9
Public Spending	4.7	6.3	6.2	8.1	7.2	8.5	7.1	7.9	7.6	6.8	7.2
Private Spending	4.6	6.6	5.9	6.8	5.5	6.0	6.4	5.8	6.1	6.1	6.9
Aggregate Demand	4.6	6.5	6.0	7.0	5.8	6.6	6.5	6.2	6.3	6.2	7.0
Exports	-7.9	8.3	4.1	2.6	1.7	3.9	3.3	2.8	3.1	4.0	3.9
Imports	-6.8	8.2	3.1	6.6	0.7	7.9	4.9	4.2	4.6	4.3	4.1
Net Exports	-22.2	9.2	19.6	-72.6	18.7	-45.8	-22.5	-16.7	-19.3	0.1	-1.7
<b>Real GDP</b>	<b>3.5</b>	<b>5.1</b>	<b>4.4</b>	<b>4.4</b>	<b>5.4</b>	<b>6.3</b>	<b>4.4</b>	<b>5.9</b>	<b>5.2</b>	<b>4.7</b>	<b>4.5</b>

Source: DoSM, BNM, MoF, Kenanga Research

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