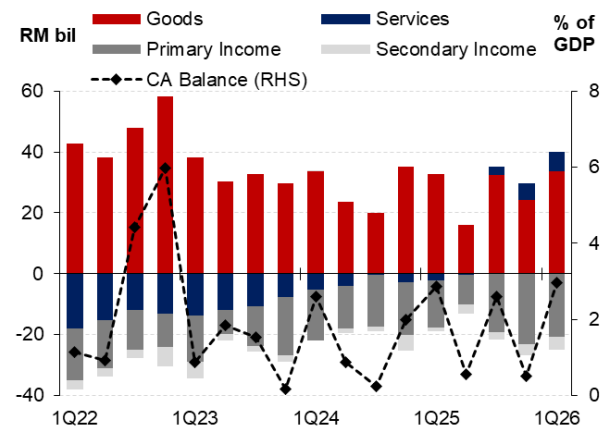


# Malaysia 1Q26 Balance of Payments

CA surplus surges to RM15.2b; structural buffers hold as external headwinds build

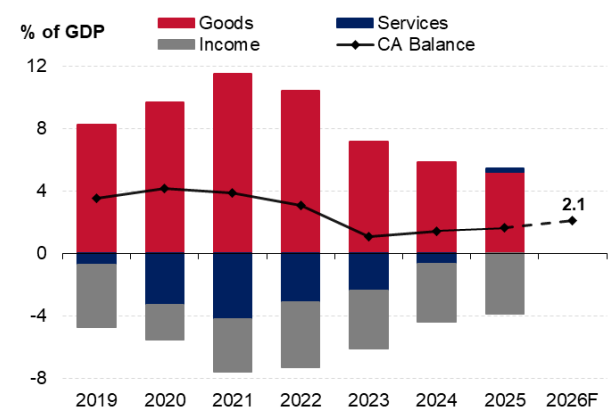
- The current account (CA) surplus widened sharply to RM15.2b in 1Q26 or 3.0% of GDP (4Q25: RM2.7b or 0.5% of GDP). The higher goods surplus drove the overall increase, outweighing deficits in both primary and secondary income**
  - A larger goods and services surplus offset continued primary and secondary income deficits. As a share of GDP, the CA widened sharply as nominal GDP growth moderated to 5.8% YoY (4Q25: 6.4%).
    - Goods (RM33.6b; 4Q25: RM24.3b): surplus widened notably**
      - ... due to exports falling less than imports. Exports fell 5.3% QoQ, against a steeper 9.0% drop in imports, despite a firmer ringgit (1Q26 average: 3.97/USD vs 4.15/USD in 4Q25).
    - Services (RM6.4b; 4Q25: RM5.3b): surplus widened to a record**
      - ... led by higher travel receipts (RM17.4b; 4Q25: RM16.9b), supported by festive-season tourism spending, and higher charges for the use of IP (RM2.9b; 4Q25: RM2.5b).
    - Secondary income (-RM4.0b; 4Q25: -RM3.7b): deficit widened moderately**
      - ... mainly due to lower inward remittances (RM10.2b; 4Q25: RM11.1b), offsetting the slightly lower outward remittances (RM14.2b; 4Q25: RM14.7b).
    - Primary income (-RM20.9b; 4Q25: -RM23.1b): deficit narrowed notably**
      - ... driven by a sharp drop in profit repatriation by foreign firms (RM38.6b; 4Q25: RM46.6b), despite lower earnings from Malaysian investments abroad (RM17.8b; 4Q25: RM23.4b).
- Financial account registered significant inflows, marking the highest level in seven quarters (RM27.4b; 4Q25: RM9.4b). A sharp rebound in portfolio inflows and other investment led the overall increase**
  - Portfolio investment (RM9.1b; 4Q25: -RM1.9b): reverted to inflows**, propelled by robust foreign demand for domestic equities (RM3.2b; 4Q25: -RM1.1b) and sustained demand for domestic bonds (RM4.7b; 4Q25: RM15.1b). These were further supported by resident selling of foreign equities (RM5.4b; 4Q25: -RM12.0b).
  - Other investment (RM2.7b; 4Q25: -RM12.8b): shifted to a surplus**, driven by lower deposit placements abroad by resident investors (-RM13.3b; 4Q25: -RM31.2b).
  - Direct investment (RM14.7b; 4Q25: RM22.5b): inflows moderated** amid slower foreign direct investment (RM22.8b; 4Q25: RM26.6b).
  - Financial derivatives (RM0.8b; 4Q25: RM1.5b): surplus narrowed**, due to increase offshore hedging amid rising FX and rates volatility.

Graph 1: Current Account Trend



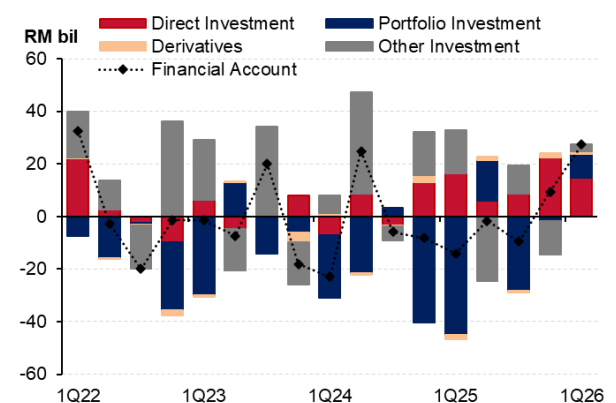
Source: Department of Statistics, Macrobond, Kenanga Research

Graph 2: Current Account Annual Trend & Forecast



Source: Department of Statistics, Macrobond, Kenanga Research

Graph 3: Financial Account Trend



Source: Department of Statistics, Macrobond, Kenanga Research

- Structural tailwinds should keep the current account firmly in surplus, with our CA balance forecast set to widen to 2.1% in 2026 (2025: 1.6%)**

18 May 2026

- Malaysia's external position should remain resilient despite heightened geopolitical uncertainty and the ongoing US-Iran conflict. While elevated energy prices and softer global sentiment may weigh on parts of global trade, Malaysia should remain relatively insulated given continued strength in the E&E sector, particularly AI-related segments such as semiconductors, servers and data-centre infrastructure. Ongoing hyperscaler capex and inventory normalisation across advanced economies should continue supporting export demand into 2026. Higher commodity prices may also support export receipts and terms-of-trade. Services exports are expected to strengthen further, driven by improving tourism activity and continued digital-infrastructure investment. Although a firmer ringgit may moderately lift imports, we expect Malaysia's external balance to remain comfortably in surplus.
- **USDMYR year-end forecast (3.95; 2025: 4.06):** We retain a constructive bias despite elevated geopolitical uncertainty. The ringgit has strengthened materially from the stress levels seen in early 2024, supported by resilient domestic fundamentals, improving FX flow dynamics and sustained foreign participation in local bond markets. Nevertheless, we maintain our 3.95 forecast as current macro conditions still support a stronger but range-bound ringgit regime rather than a sustained structural break materially below 3.90. The recent US-Iran conflict has reinforced safe-haven demand for the USD and complicated the Fed's easing trajectory. However, Malaysia's persistent current account surplus, improving terms of trade and continued foreign demand for Malaysian assets should anchor the ringgit through 2026.
- **BNM policy rate:** Stability likely to remain the preferred policy stance. We expect BNM to maintain the OPR at 2.75% throughout 2026. Domestic demand remains resilient while inflation pressures are still manageable despite geopolitical-driven commodity-price risks. Elevated external uncertainty and a firmer ringgit environment should allow BNM to prioritise macroeconomic stability and preserve policy flexibility rather than pursue pre-emptive tightening.

**Table 1: Balance of Payments**

RM billion	2024	2025	2Q24	3Q24	4Q24	1Q25	2Q25	3Q25	4Q25	1Q26
<b>Current Account</b>	<b>27.4</b>	<b>32.8</b>	<b>4.2</b>	<b>1.2</b>	<b>9.9</b>	<b>13.8</b>	<b>2.7</b>	<b>13.5</b>	<b>2.7</b>	<b>15.2</b>
% of GDP	1.4	1.6	0.9	0.2	2.0	2.9	0.6	2.6	0.5	3.0
Merchandise Balance	112.5	105.4	23.6	20.0	35.2	32.9	16.0	32.3	24.3	33.6
Exports fob	1135.7	1163.6	278.5	289.8	295.0	283.2	281.6	293.1	305.8	295.4
Imports fob	1021.2	1052.7	254.5	267.4	258.1	244.7	264.6	261.3	282.1	261.8
Services Balance	-12.6	5.3	-4.0	-0.5	-2.9	-2.2	-0.5	2.7	5.3	6.4
Primary Income	-64.8	-67.3	-14.1	-16.8	-17.3	-15.4	-9.5	-19.3	-23.1	-20.9
Transfers/Secondary Income	-7.8	-10.6	-1.4	-1.5	-5.2	-1.5	-3.2	-2.2	-3.7	-4.0
Capital Account	0.1	-0.1	0.0	0.0	0.0	0.1	0.0	-0.2	0.0	0.0
Financial Account	-12.1	-16.0	24.9	-5.8	-8.2	-14.1	-1.7	-9.5	9.4	27.4
Direct Investment	11.2	53.5	8.7	-3.5	13.0	16.5	5.9	8.6	22.5	14.7
Abroad	-35.5	-12.4	0.3	-18.7	-6.2	-5.0	-0.9	-2.4	-4.1	-8.1
In Malaysia	46.7	65.9	8.4	15.2	19.2	21.5	6.8	11.0	26.6	22.8
Portfolio Investment	-82.5	-59.4	-21.7	3.4	-40.4	-45.1	15.6	-28.1	-1.9	9.1
Financial Derivative	2.8	0.2	-0.6	-0.4	2.7	-1.7	1.3	-0.8	1.5	0.8
Other Investment	56.3	-10.3	38.4	-5.3	16.4	16.2	-24.6	10.8	-12.8	2.7
Reserve Assets	-15.7	-8.4	1.3	-2.3	-6.0	-3.1	-1.0	-3.1	-1.2	-16.4
Errors & Omissions	0.4	-8.3	-30.4	6.9	4.3	3.3	0.0	-0.6	-11.0	-26.2

Source: Department of Statistics, Macrobond, Kenanga Research

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