

To Zheng Hong

(603) 7890 8888 (ext 2099)

zhenghong.to@apexsecurities.com.my

2025 GDP Growth	+5.2%
2026 GDP Growth Forecast:	+4.7%
2025 Export Growth:	+6.4%
2026 Export Growth Forecast:	+4.8%
2025 Unemployment Rate	3.0%
2026 Unemployment Rate Forecast:	3.0%
2025 Headline Inflation:	+1.4%
2026 Headline Inflation Forecast:	+2.1%
End-2025 OPR	2.75%
End-2026 OPR Forecast:	2.75%

Malaysia 1Q26 Advance GDP Estimate

Growth outlook remains intact despite rising headwinds

- Malaysia's economy expanded +5.3% YoY in 1Q26 (4Q25: +6.3%), above our in-house forecast of +4.9%, driven by services and manufacturing.
- Despite rising geopolitical risks from the Middle East conflict, Malaysia's underlying fundamentals remain supportive of growth momentum through the rest of the year.
- We maintain our 2026 GDP forecast at +4.7% YoY, which remains achievable under current conditions, anchored on a sustained AI cycle, resilient domestic demand, Malaysia's net energy exporter position, and ample fiscal and monetary policy space.
- However, a prolonged escalation in the Middle East into 3Q26 could see growth moderate towards +4.0%, the lower bound of BNM's 4.0–5.0% projection range.

1Q26 GDP exceeds our expectations

Malaysia's economy expanded +5.3% YoY in 1Q26 (4Q25: +6.3%), according to the advance GDP estimate released by the Department of Statistics Malaysia (DoSM). The print came in above our in-house forecast of +4.9%, but slightly below Bloomberg consensus of +5.5%. The final 1Q26 GDP data, due on 15 May, will provide more details on the expenditure breakdown.

Resilience in services and manufacturing

The stronger-than-expected performance was driven by services and manufacturing. Services remained the key growth driver at +5.4% YoY (4Q25: +6.3%), slightly above our estimate of +5.2%, supported by wholesale & retail trade, information & communication, and transportation & storage. Manufacturing grew +5.8% (4Q25: +6.1%), outperforming our forecast of +4.6%, underpinned by sustained growth in E&E output amid the ongoing technology upcycle.

Meanwhile, agriculture moderated to +2.8% YoY (4Q25: +5.4%) due to lower rubber and fishing output. Construction remained firm at +7.8% (4Q25: +11.0%), supported by specialised construction activities and non-residential buildings. In contrast, mining contracted by 1.1% (4Q25: +2.0%), reflecting softer crude oil and natural gas production.

Firm fundamentals support growth outlook

Following the positive surprise, we revise our 1Q26 GDP estimate to +5.3% YoY (from +4.9% previously). Despite rising geopolitical risks from the Middle East conflict, Malaysia's underlying fundamentals remain supportive of growth momentum for the rest of the year.

Private consumption should remain the key anchor, supported by resilient labour market conditions and contained inflation. The impact of higher oil prices is likely to be cushioned by existing fuel subsidies, including BUDI95, alongside continued targeted policy support for lower-income households. Additional measures, including the recent increase in diesel subsidies (BUDI Diesel and BUDI Agri-Komoditi) from RM300 to RM400 per month, should help contain cost pressures on businesses and limit pass-through effects on consumer prices.

Investment activity will be sustained by ongoing expansion in data centres and manufacturing, alongside continued infrastructure spending across renewable energy, utilities, transport and social projects. Record-high approved investments of RM426.7bn in 2025 should continue to translate into realised investments in 2026. More importantly, early government engagement with investors following the recent Middle East conflict suggests no immediate cancellations of investment projects, pointing to intact investment momentum at this juncture.

On the external front, sustained E&E demand amid the AI-led technology upcycle should continue to underpin exports. Malaysia should also benefit from its position as a net energy exporter, particularly as a major LNG exporter, with higher commodity prices supporting the trade balance. Oil & gas and related products recorded a trade surplus of RM21.8bn in 2025, accounting for 14.1% of the total trade surplus.

Growth outlook remains supported, but risks skewed downside

We maintain our 2026 GDP forecast at +4.7% YoY, which remains achievable under current conditions. A faster resolution to the Middle East conflict, alongside a stronger AI cycle and investment upturn, could lift growth closer to +5.0%.

However, risks are tilted to the downside. A prolonged escalation in the Middle East into 3Q26 could further exacerbate global supply chain disruptions and weigh on global growth, with spillovers to Malaysia’s domestic demand. Under such a scenario, growth could moderate towards +4.0%, the lower end of BNM’s 4.0–5.0% projection range.

For now, our cautious optimism is anchored on sustained AI cycle, resilient domestic demand, Malaysia’s net energy exporter position, and ample fiscal and monetary policy space. We expect growth to remain relatively firm at +4.9% in 1H26 before moderating to +4.4% in 2H26 amid a more challenging macro environment.

Table 1: GDP by Production Approach

	% share	% YoY						
		2024	2025	1Q25	2Q25	3Q25	4Q25	1Q26A
GDP	100	5.1	5.2	4.4	4.4	5.4	6.3	5.3
Agriculture	6.1	3.1	2.2	0.7	2.5	0.1	5.4	2.8
Mining	5.7	0.9	0.7	-2.7	-5.2	9.7	2	-1.1
Manufacturing	23.0	4.2	4.5	4.1	3.7	4.1	6.1	5.8
Construction	4.3	17.5	12.2	14.2	12.1	11.8	11.0	7.8
Services	59.6	5.3	5.5	5.0	5.1	5.5	6.3	5.4

Source: Department of Statistics, Apex Securities

Recommendation Framework:

BUY: Total returns* are expected to exceed 10% within the next 12 months.

HOLD: Total returns* are expected to be within +10% to -10% within the next 12 months.

SELL: Total returns* are expected to be below -10% within the next 12 months.

TRADING BUY: Total returns* are expected to exceed 10% within the next 3 months.

TRADING SELL: Total returns* are expected to be below -10% within the next 3 months.

*Capital gain + dividend yield

Sector Recommendations:

OVERWEIGHT: The industry defined by the analyst is expected to exceed 10% within the next 12 months.

NEUTRAL: The industry defined by the analyst is expected to be within +10% to -10% within the next 12 months.

UNDERWEIGHT: The industry defined by the analyst, is expected to be below -10% within the next 12 months.

ESG Rating Framework:

★★★★★ : Appraised with 3% premium to fundamental fair value

★★★★ : Appraised with 1% premium to fundamental fair value

★★★ : Appraised with 0% premium/discount to fundamental fair value

★★ : Appraised with -1% discount to fundamental fair value

★ : Appraised with -5% discount to fundamental fair value

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(a) nil.
