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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 GDP

Resilience amid rising headwinds

- Malaysia's GDP held firm at +5.4% YoY in 1Q26 (4Q25: +6.2%), above the advance estimate of +5.3%, supported by a rebound in net exports.
- The current account recorded a surplus of 3.0% of GDP (4Q25: 0.5%), supported by goods and services surpluses. We maintain our current account surplus projection at 1.5% of GDP in 2026.
- We maintain our 2026 GDP growth forecast at +4.7% YoY, with near-term supply disruption risks remaining manageable for now.
- Risks are increasingly tilted to the downside in 2H26, particularly if the Middle East conflict prolongs into 3Q26, with spillovers to Malaysia's domestic demand.

1Q26 growth momentum holds up well

Malaysia's GDP held firm at +5.4% YoY in 1Q26 (4Q25: +6.2%), coming in slightly higher than the advance estimate of +5.3%. However, on a seasonally adjusted basis, growth contracted marginally (-0.01% QoQ; 4Q25: +1.4%), marking the first sequential decline since 4Q22 and suggesting some moderation in the underlying growth momentum.

Net exports offset easing domestic demand

Domestic demand moderated but remained broadly resilient, contributing +5.0ppts to headline GDP growth (4Q25: +6.2ppts). Private consumption stayed firm (+4.7% YoY; 4Q25: +5.6%), underpinned by a resilient labour market with unemployment improving to 2.9% in 1Q26, alongside continued income-related policy support. While public investment slowed (+5.3%; 4Q25: +9.5%) amid the near completion of selected infrastructure projects, private investment remained steady (+7.8%; 4Q25: +9.2%) on continued machinery and equipment spending.

Externally, real exports remained firm (+5.2% YoY; 4Q25: +6.3%) on steady E&E shipments, travel and ICT services. Meanwhile, imports moderated (+4.6%; 4Q25: +9.0%), reflecting slower capital, intermediate and consumption goods imports. As a result, net exports rebounded sharply (+13.5%; 4Q25: -32.9%), contributing +0.6ppts to GDP growth (4Q25: -1.4ppts).

On a sectoral basis, services and manufacturing remained the key growth anchors. Services moderated to +5.6% YoY (4Q25: +6.2%), partly due to softer motor vehicle sales following the expiry of import duty waivers for electric vehicles. Nonetheless, retail trade remained firm (+4.7%; 4Q25: +4.6%), underscoring resilient consumer spending. Manufacturing held up well (+5.9%; 4Q25: +6.0%) amid firmer E&E production and sustained demand for AI and data centre-related components. Agriculture eased to +2.6% (4Q25: +5.7%) as palm oil output normalised, while mining contracted (-2.1%; 4Q25: +1.4%) on lower oil and gas production.

Current account surplus widens

The current account recorded a larger surplus of +RM15.2bn in 1Q26 (4Q25: +RM2.7bn), equivalent to 3.0% of GDP (4Q25: 0.5%), supported by a wider goods account surplus of +RM33.6bn (4Q25: +RM24.3bn) amid slower imports. Meanwhile, the services account registered a surplus of +RM6.4bn (4Q25: +RM5.3bn) for the third consecutive quarter, underpinned by sustained tourism receipts and ICT-related services. Looking ahead, structural demand for E&E and data centre-related services should continue to support the current account, although rising external uncertainties may cap further upside. We maintain our current account surplus projection at 1.5% of GDP in 2026 (2025: 1.6%).

Growth outlook remains supported for now

We maintain our 2026 GDP growth forecast at +4.7% YoY, which remains achievable under current conditions. Following the stronger-than-expected 1Q26 GDP print, growth should remain relatively firm in 2Q26, supported by resilient E&E and ICT service exports alongside steady domestic demand. Private consumption should continue to anchor growth amid resilient labour market conditions and contained inflation.

While we remain vigilant over the Middle East conflict and ongoing supply chain disruptions, near-term supply disruption risks remain manageable for now. Notably, Malaysia's April manufacturing PMI pointed to a ramp-up in production activities, with manufacturers stepping up stockpiling efforts (refer to our [Malaysia IPI report](#)). According to BNM, firms are holding an average of three to four months of inventory, which should help sustain production and cushion against rising costs. Other mitigation measures adopted by firms include sourcing inputs from alternative suppliers and diversifying export markets.

We believe effective policy support will be another key determinant in mitigating the impact of the current supply disruptions. The government is working to secure fuel supply beyond June and is expected to announce an oil supply continuity plan, which should help alleviate concerns over domestic fuel security. More importantly, BNM has introduced the RM5bn SME Stabilisation Relief Facility to provide working capital support and repayment assistance, particularly for SMEs affected by supply disruptions.

Risks increasingly tilted to the downside

Nonetheless, risks are increasingly tilted to the downside in 2H26, particularly if the Middle East conflict prolongs into 3Q26, with spillovers to Malaysia's domestic demand. Key areas under our watch include: i) whether industrial input disruption and eventual inventory depletion begin to **weigh on industrial activity**; ii) whether rising material costs and potential domestic fuel policy adjustments **lift inflation materially above expectations** (in-house: 2.1%; BNM: 1.5-2.5%), thereby weighing on consumer spending; iii) signs of weakening consumer sentiment, including **softer retail trade activity**; and iv) whether prolonged supply disruptions eventually lead to **broader labour market weakness and rising unemployment**.

Such scenarios could warrant a downward revision to our growth forecast, with GDP growth potentially moderating towards +4.0%, the lower end of BNM's official 4.0–5.0% projection range.

Figure 1: GDP by Sector Approach

	% share	% YoY							ppts contribution to GDP						
		2025	2024	2025	1Q25	2Q25	3Q25	4Q25	1Q26	2024	2025	1Q25	2Q25	3Q25	4Q25
GDP	100	5.2	5.2	4.4	4.6	5.3	6.2	5.4	5.2	5.2	4.4	4.6	5.3	6.2	5.4
Agriculture	6.1	3.4	2.2	0.7	2.5	0.2	5.7	2.6	0.2	0.1	0.04	0.2	0.01	0.3	0.2
Mining	5.7	1.2	0.6	-2.6	-5.2	9.4	1.4	-2.1	0.1	0.03	-0.2	-0.3	0.5	0.1	-0.1
Manufacturing	23.0	4.2	4.5	4.2	3.7	4.1	6.0	5.9	1.0	1.0	1.0	0.9	0.9	1.4	1.4
Construction	4.3	17.6	12.2	14.2	12.1	11.7	10.9	7.7	0.6	0.5	0.6	0.5	0.5	0.4	0.3
Services	59.6	5.4	5.4	5.1	5.1	5.3	6.2	5.6	3.2	3.2	3.0	3.0	3.1	3.7	3.3
Import duties	1.3	7.7	17.6	4.1	29.1	16.6	19.6	29.2	0.1	0.2	0.05	0.3	0.2	0.3	0.3

Source: Department of Statistics, Apex Securities

Figure 2: GDP by Demand Approach

	% share	% YoY							ppts contribution to GDP						
		2025	2024	2025	1Q25	2Q25	3Q25	4Q25	1Q26	2024	2025	1Q25	2Q25	3Q25	4Q25
GDP	100	5.2	5.2	4.4	4.6	5.3	6.2	5.4	5.2	5.2	4.4	4.6	5.3	6.2	5.4
Domestic demand	96.3	6.3	6.3	5.6	6.8	6.2	6.6	5.2	5.9	6.0	5.4	6.5	5.9	6.2	5.0
Private consumption	60.6	4.8	5.3	4.8	5.1	5.8	5.6	4.7	2.9	3.2	3.0	3.1	3.5	3.2	2.9
Public consumption	13.4	4.6	5.3	2.7	5.7	5.8	6.6	4.1	0.6	0.7	0.3	0.7	0.7	1.0	0.5
Private investment	17.2	12.4	9.4	9.1	11.7	7.4	9.2	7.8	1.9	1.6	1.6	2.2	1.3	1.2	1.4
Public investment	5.1	11.1	10.3	11.6	13.5	7.5	9.5	5.3	0.5	0.5	0.5	0.5	0.3	0.7	0.2
Change in inventories	0.5	-53.6	-21.0	-78.2	9.8	-157.3	104.2	-21.4	-1.0	-0.2	-0.6	0.2	-1.8	1.4	-0.3
Net Exports	3.3	6.7	-15.6	-7.9	-58.3	32.2	-32.9	13.5	0.3	-0.6	-0.4	-2.0	1.2	-1.4	0.6
Exports	66.8	8.6	4.9	4.3	4.5	4.6	6.3	5.2	5.7	3.4	2.9	3.1	3.2	4.2	3.5
Imports	63.5	8.7	6.3	5.2	7.9	3.0	9.0	4.6	5.4	4.0	3.3	5.1	2.0	5.7	2.9

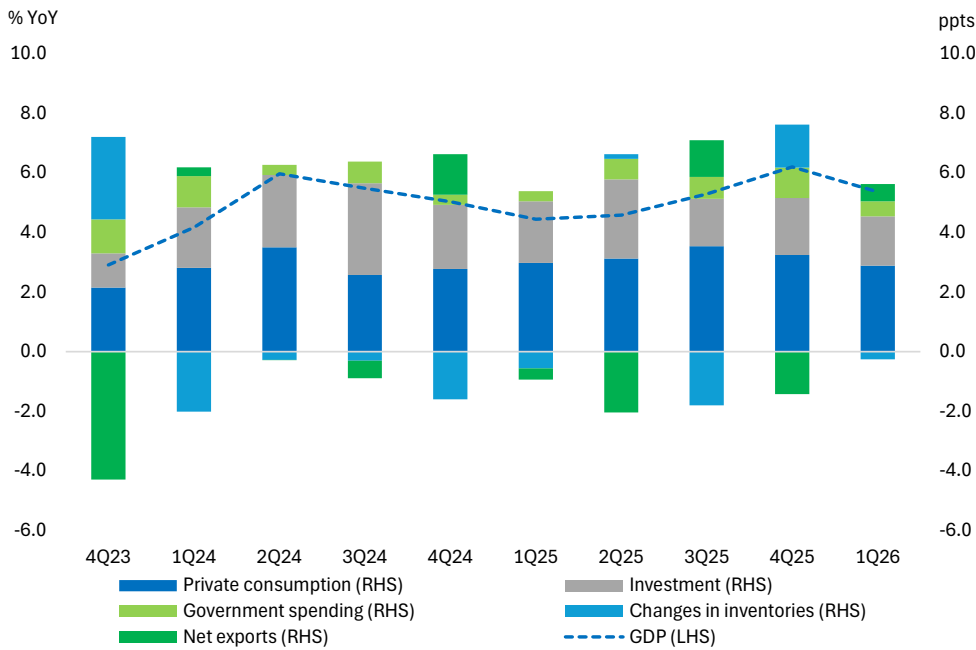
Source: Department of Statistics, Apex Securities

Figure 3: Current Account Breakdown

	RM bn							% of GDP						
	2024	2025	1Q25	2Q25	3Q25	4Q25	1Q26	2024	2025	1Q25	2Q25	3Q25	4Q25	1Q26
Current account	27.4	32.8	13.8	2.7	13.5	2.7	15.2	1.4	1.6	2.9	0.6	2.6	0.5	3.0
Goods	112.5	105.4	32.9	16.0	32.3	24.3	33.6	5.8	5.2	6.8	3.3	6.2	4.6	6.5
Services	-12.6	5.3	-2.2	-0.5	2.7	5.3	6.4	-0.7	0.3	-0.5	-0.1	0.5	1.0	1.3
Primary income	-64.8	-67.3	-15.4	-9.5	-19.3	-23.1	-20.9	-3.3	-3.3	-3.2	-1.9	-3.7	-4.3	-4.1
Secondary income	-7.8	-10.6	-1.5	-3.2	-2.2	-3.7	-4.0	-0.4	-0.5	-0.3	-0.7	-0.4	-0.7	-0.8

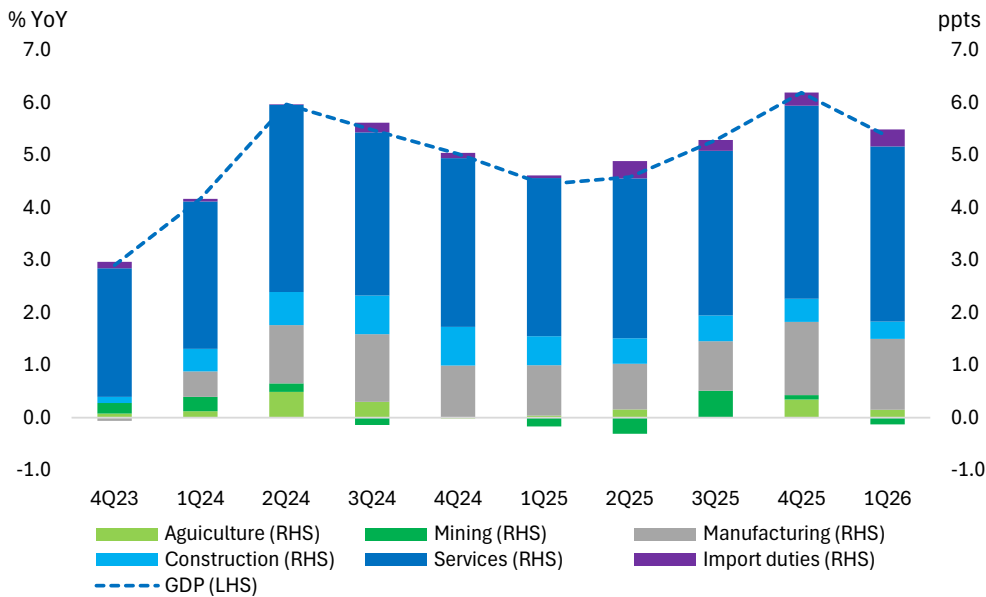
Source: Department of Statistics, Apex Securities

Figure 4: Malaysia's GDP growth supported by net exports in 1Q26



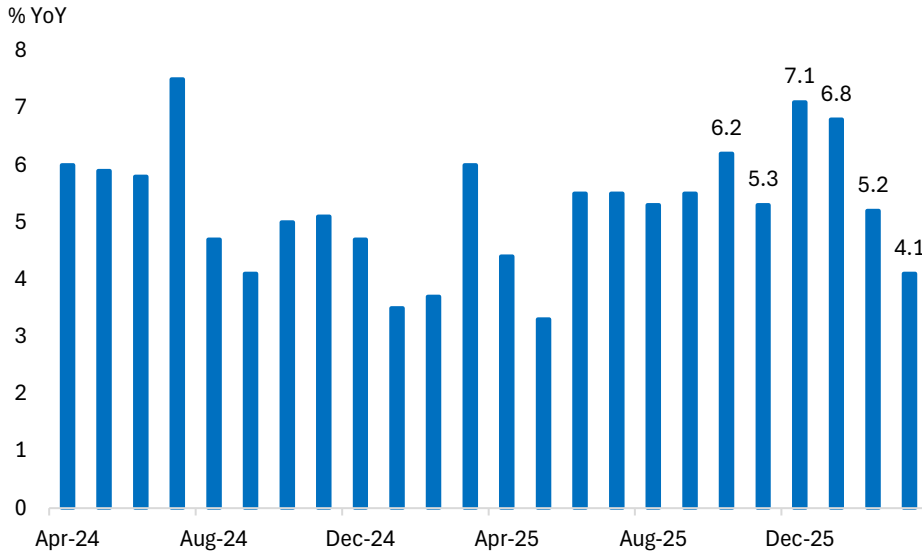
Source: Department of Statistics, Apex Securities

Figure 5: Malaysia's GDP growth underpinned by services and manufacturing



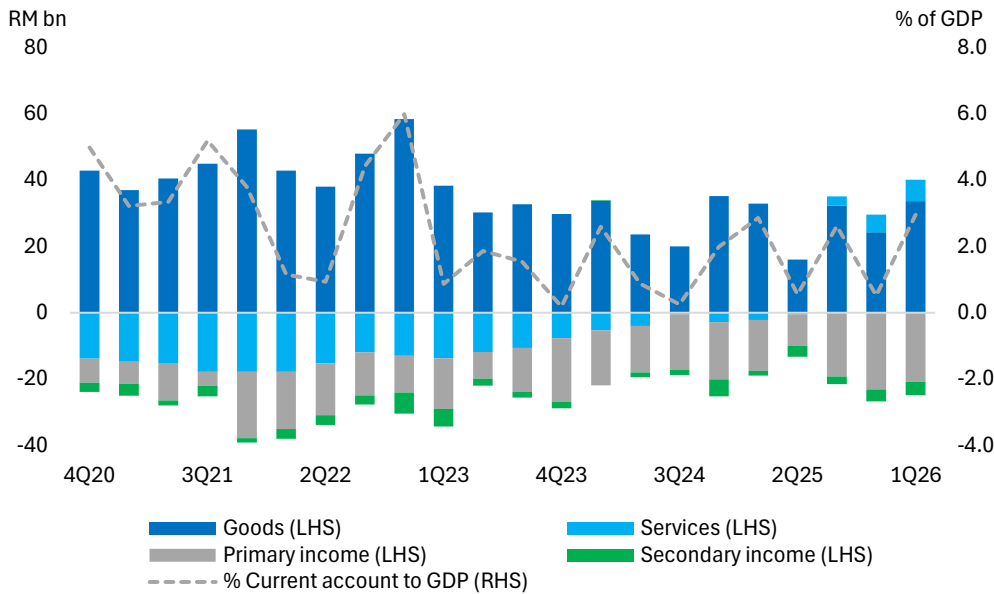
Source: Department of Statistics, Apex Securities

Figure 6: Monthly GDP growth on a downtrend



Source: Department of Statistics, Apex Securities

Figure 7: The current account was supported by goods and services surpluses



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.
