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2025 GDP Growth	+5.2%
2026 GDP Growth Forecast:	+5.0%
2027 GDP Growth Forecast:	+4.5%
2025 Unemployment Rate	3.0%
2026 Unemployment Rate Forecast:	3.0%
2027 Unemployment Rate Forecast:	3.0%
2025 Headline Inflation:	+1.4%
2026 Headline Inflation Forecast:	+2.0%
2027 Headline Inflation Forecast:	+2.0%
End-2025 OPR	2.75%
End-2026 OPR Forecast:	2.75%
End-2027 OPR Forecast:	3.00%

Malaysia 3Q26 Advance GDP Estimate

Another positive surprise, yet headwinds ahead

- Malaysia's economy expanded +5.3% YoY in 3Q26 (2Q26: +6.0%), exceeding our forecast and Bloomberg consensus, driven by manufacturing and agriculture.
- The 3Q26 GDP print points to upside to our 2026 GDP growth forecast of +5.0% YoY, with growth potentially reaching +5.4%.
- Nonetheless, we remain cautious over uneven growth momentum, with growth likely to moderate further in 4Q26 amid the high base effect.
- We expect the moderation to extend into 2027, with geopolitical tensions, trade policy uncertainty, El Niño and cost pressures weighing on growth.
- We maintain our 2027 GDP growth forecast at +4.5% YoY.

3Q26 GDP beats expectations

Malaysia's economy expanded +5.3% YoY in 3Q26 (2Q26: +6.0%), according to the advance GDP estimate released by the Department of Statistics Malaysia (DoSM). Despite the moderation, the print exceeded our in-house forecast of +4.6% and Bloomberg consensus of +5.1%. This brings 9M26 growth to +5.5% (9M25: +4.8%), above our earlier expectations. The final 3Q26 GDP data will be released on 18 November.

Sectoral performance remains uneven

The resilient performance was driven by manufacturing and agriculture. Manufacturing growth edged higher to +7.5% YoY (2Q26: +7.3%), reflecting sustained E&E demand amid the ongoing global AI upcycle. Agriculture rebounded to +1.3% (2Q26: -3.7%), contributing 0.1 ppts to headline GDP growth (2Q26: -0.2 ppt), supported by stronger palm oil output.

However, the strong headline growth masks uneven performance across sectors. Services growth slowed to a one-year low of +5.4% YoY (2Q26: +5.9%), while construction moderated for the seventh consecutive quarter to +6.0% (2Q26: +6.5%) following double-digit growth in 2024 and 2025. Nevertheless, data centre projects continue to provide some support to construction activity. Meanwhile, mining contracted by 4.9% (2Q26: +9.3%) amid lower petroleum output.

Upside to our 2026 growth forecast, but risks persist into 2027

The stronger-than-expected 3Q26 GDP print points to **upside to our current 2026 GDP growth forecast of +5.0% YoY**, with growth potentially reaching +5.4%. This implies that GDP growth this year could also potentially overshoot the MoF's revised target of **4.8-5.3%** (point forecast: **+5.2%**). We will review our forecast following the release of the final 3Q26 GDP data next month.

Overall, we remain cautious over the sustainability of recent growth momentum. The strong headline growth has been driven mainly by robust manufacturing, particularly the E&E segment. In contrast, construction has shown clear signs of moderation, while agricultural output could remain volatile amid potential El Niño disruptions to palm oil yields. Furthermore, growth moderation could become more pronounced in 4Q26 due to the high base from last year's strong performance, with lingering haze conditions posing downside risks to domestic activities.

Importantly, we expect the moderation to extend into 2027, with prolonged geopolitical tensions, uncertainty over global trade policies, lagged impacts from the El Niño phenomenon and elevated business costs weighing on growth. That said, overall growth should remain underpinned by steady household spending amid supportive policy measures, the realisation of approved investments and firm external demand amid the global tech upcycle. We **maintain our 2027 GDP growth forecast at +4.5% YoY** (MoF: **4.2-5.2%**; point forecast: **+4.6%**).

Table 1: GDP by Production Approach

	% share	% YoY						
	2025	2024	2025	3Q25	4Q25	1Q26	2Q26	3Q26A
GDP	100	5.2	5.2	5.3	6.2	5.4	6.0	5.3
Agriculture	6.1	3.4	2.2	0.2	5.7	2.6	-3.7	1.3
Mining	5.7	1.2	0.6	9.4	1.4	-2.1	9.2	-4.9
Manufacturing	23.0	4.2	4.5	4.1	6.0	5.9	7.3	7.5
Construction	4.3	17.6	12.2	11.7	10.9	7.7	6.5	6.0
Services	59.5	5.4	5.4	5.3	6.2	5.6	5.9	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.
