



PREFACE

We live in post-normal times, where upheavals strike not in sequence but all at once. A simultaneity of disruptions that tests nations and societies alike. Geopolitical tensions intensify, trade frictions multiply, climate breakdown accelerates and financial markets oscillate. Although recent clarity on the United States tariff policies offers some reprieve, yet the risks of sector-specific and reciprocal measures still loom and may disrupt the global trading system further and weigh on growth.

Yet, even in these unsettled times, Malaysia must not choose the path of least resistance. For too long, our people have called for genuine reform, for a Government that balances external risks while addressing deep structural impediments at home. This administration embraces that moral duty. Guided by the Ekonomi MADANI framework, our task is not only to steer the economy on a steady course, but also restore dignity, uplift the quality of life and ensure progress is shared fairly among all Malaysians.

While these remain the early days of our reform agenda, yet the results are already apparent. The economy expanded by 4.4% in the first half of 2025, outpacing many peers equally burdened by tariff shocks. Growth has been broad-based: households continue to spend with confidence, investment is rising in both the public and private sectors, tourism activities are booming and construction sites hum with activity. At the same time, the rakyat's livelihoods are better protected. Unemployment has recorded the lowest level in a decade, inflation remains low and the ringgit stands among the region's most resilient currencies. Even in the face of a weakened global trading environment, our exporters are adapting and sustaining jobs at home. On this basis, Malaysia's economy is expected to grow between 4% and 4.8% in 2025 and 4% – 4.5% in 2026.

Budget 2026 is the fourth of the MADANI Budget series and the first under the Thirteenth Malaysia Plan, 2026 – 2030 (Thirteenth Plan). It marks a passage from reform to transformation, charting a course where immediate recovery gives way to long-term renewal. The strategic investments envisioned under the Thirteenth Plan are fully aligned with the twin pillars of Ekonomi MADANI: 'Raising the Ceiling' of national potential, while 'Raising the Floor' of living standards. They are designed to catalyse growth, elevate Malaysia's role in global supply chains and enhance our human capital. In turn, they will deliver better wages, genuine opportunities for social mobility and a higher quality of life for the rakyat. With the Thirteenth Plan, Malaysia will expand its expertise in high growth high value sectors — from artificial intelligence to renewable energy — positioning our nation at the technological frontier while securing sustainability for generations to come.

A reformed Malaysia is growing more confident in sharing its voice on the global stage. True to our history as a trading nation, we embrace engagement and cooperation as the path forward. As we prepare to welcome Visit Malaysia 2026 and conclude our Chairmanship of ASEAN, we do so with renewed purpose: to position Malaysia as a bridge-builder in the region, a trusted partner in the Global South as well as an advocate for fairer and more sustainable growth. The Economic Outlook 2026 is not only a review of our progress hitherto but a declaration of this strategic direction. That even in turbulence, Malaysia can lead with resilience, adaptability and conviction.

In these post-normal times, every crisis carries with it the seed of opportunity. I am reminded of the verse in the Qur'an (62:10), where after worship, humankind is called to seek sustenance and opportunity across the earth. So it is for Malaysia today. The trials we have endured serve as a reminder for us to reflect upon the lessons of the past. They also summon us to rise together, to seize new frontiers and to pursue greater heights. With the Ekonomi MADANI framework in place to chart this reform agenda, what remains is for us to stay the course with unity, stability and determination. *Insyaa-Allah*, our future will be defined not by turbulence, but by the courage to build anew. In the name of Allah the Most Gracious, the Most Merciful.

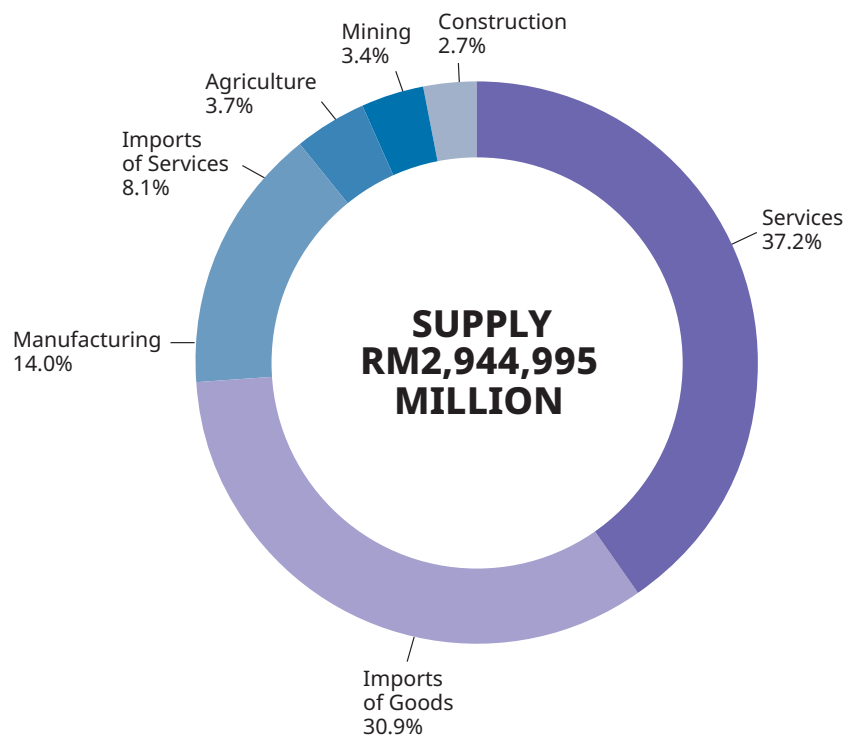
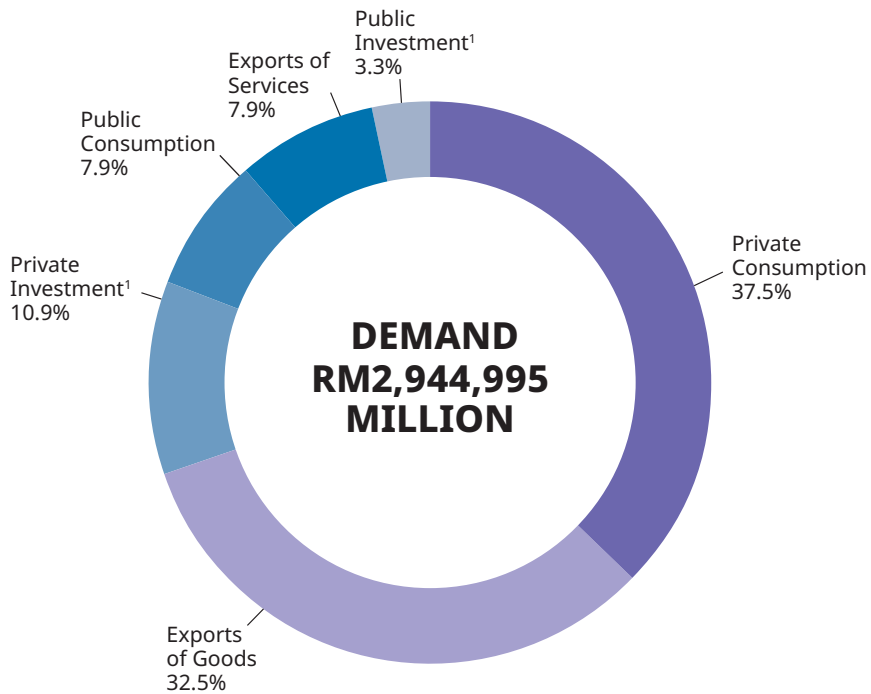


ANWAR IBRAHIM
MINISTER OF FINANCE MALAYSIA
10 October 2025



THE ECONOMY 2026

in constant 2015 prices
(share to total in %)



¹Includes change in stocks

Source: Ministry of Finance, Malaysia