Services sector expands 8.1% in Q1, with revenue reaching RM682b

KUALA LUMPUR: The services sector expanded by 8.1% year-on-year (y-o-y) in the first quarter (Q1) of 2026, with revenue reaching RM682 billion, according to the Department of Statistics Malaysia (DoSM).

The wholesale and retail trade, food and beverage, and accommodation recorded the highest growth of 7.7%, with revenue hitting RM512.3 billion during the quarter, it said.

"The strong performance was largely driven by steady household spending and festive-related demand, supported by higher travel activities and continued tourism momentum," the agency said in a statement yesterday.

Chief statistician Datuk Seri Mohd Uzir Mahidin said the encouraging performance was underpinned by continuous domestic economic activities throughout the quarter.

"Consumer spending remained resilient amid a festive-packed period covering Chinese New Year, Ramadan and Hari Raya Aidilfitri, while stronger domestic mobility, vibrant tourism activities as well as various events and festivals held nationwide further supported the sector's momentum."

DoSM said the information and communication and transportation and storage segment continued to register strong growth in Q1 2026, expanding by 9.5% to record revenue of RM97.3 billion.

"The performance reflected sustained demand for digital connectivity, logistics and transportation services amid improving domestic economic activities, stronger mobility and continued tourism-related movements during the quarter," it said.

The information and communication subsector's revenue rose by 8.7% y-o-y and Malaysia's digital landscape continued to gain momentum with the expansion of large-scale data centres, driven by rising requirements for cloud computing, artificial intelligence applications, cybersecurity systems and high-capacity digital infrastructure.

It said that aligned with the increase in tourism activities and domestic demand, the transportation and storage subsector maintained its positive momentum, recording a year-on-year growth of 10.3% in Q1 2026.

Higher revenue was recorded across land transport, postal and courier services and air transport, which grew by 11.1%, 11.8% and 12.0%, respectively.

On a quarter-on-quarter basis, the services sector maintained its momentum, with revenue increasing by 0.6% compared to the fourth quarter of 2025.

This growth was driven by the wholesale and retail trade, food and beverage and accommodation segment (0.4%), followed by the information and communication and transportation and storage segment (1.6%) and the professional services, real estate and administrative and support services segment (1.5%).

On e-commerce income, Mohd Uzir said it recorded a 2.8% y-o-y growth to RM319.7 billion in Q1 2026.

On a quarter-on-quarter basis, e-commerce income increased by 1.1%.

On labour market developments, he noted that total employment in the services sector rose 2.7% y-o-y to 4.6 million persons.

"This expansion was primarily driven by the transportation and storage subsector, which grew by 4.4%, followed by the personal and other services activities subsector, which recorded a growth of 4.0%."

In summary, DoSM said the services sector continued to maintain positive growth momentum in Q1 2026, supported by strengthening domestic economic activity, improving household income, increased consumer mobility and continued expansion in the tourism, logistics, and consumer-related services.

"This growth was further reinforced by rising e-commerce activity, digital services and stable household spending, reflecting the sector's resilience in navigating a dynamic economic environment." – Bernama