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Local auto sector en route to normalisation, consolidation

Steady, more measured demand in 2026 forecast, after record-breaking TIV last year

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PETALING JAYA: Malaysia's automotive sector is expected to consolidate in 2026 following a record-breaking performance last year, with industry players and analysts pointing to steady, albeit more measured, demand anchored by mass-market vehicles and growing interest in electric models.

After total industry volume (TIV) hit an all-time high of 820,752 units in 2025, early indicators suggest the market is entering a phase of normalisation rather than decline.

The Malaysia Automotive Association (MAA) recently projected a moderation in 2026, with TIV expected to normalise to around 790,000 units following the high base in 2025.

Rakuten Trade head of equity sales Vincent Lau said most industry players and analysts are projecting TIV of more than 800,000 units in 2026, underpinned by structural shifts in consumer preferences and increasing model offerings.

A key driver, he said, is the influx of Chinese marques such as BYD, Zeekr, XPeng, GWM, Denza and Chery, along with their sub-brands including Jetour, Jaecoo, Omoda and iCaur.

"These EV, plug-in hybrid and SUV offerings, with more choices and perceived value for money, are key growth drivers and are taking market share from traditional Japanese marques," Lau told *SunBiz*.

He added that the affordable mass-market segment remains resilient, supported by refreshed line-ups from national brands.

Proton's updated Saga models and eMas 5 and 7 EVs, alongside new models from Perodua, continue to record strong interest.

Furthermore, government incentives, including a RM4,000 matching grant for locally assembled vehicles, are also expected to benefit national brands.

Apart from that, Lau said a stronger ringgit could further ease pricing pressures, particularly for imports from Japan.

At the same time, hire purchase loans remain on a reducing balance structure with stable and accommodating interest rates, supporting affordability.

KHPT Holdings Bhd group managing director Datin Eloise See said automotive demand in early 2026 has softened slightly compared with the strong momentum seen at the end of last year.

"The beginning of the year is typically slower due to festive holidays and more cautious consumer spending following year-end promotions. This pattern of softer demand early in the calendar year is common across Malaysia's automotive industry and reflects normal seasonal buying behaviour," she said.

See described the anticipated correction as healthy.

"Such normalisation is healthy for the industry, as the exceptional surge seen in recent years moderates and the market settles into a more balanced growth trajectory," she said, noting that dealers are maintaining disciplined ordering patterns and balanced inventory levels this year.

While industry projections hover around 790,000 units, some market observers are more optimistic.

From a retail perspective, mass-market vehicles and SUVs remain the backbone of demand.

See said affordable passenger vehicles remain the preferred choice among first-time buyers and families seeking practical mobility solutions.

SUVs are also performing well, given their versatility and appeal for both urban commuting and family use.

"From a scale and sustainability perspective, mass-market passenger vehicles and SUVs provide stronger and more predictable volume growth," See said.

Premium and commercial vehicles, while important, represent smaller volumes and are more sensitive to economic cycles and business investment trends.

"At KHPT, we focus on operational efficiency, improved procurement planning and strengthening long-term supplier partnerships to manage cost fluctuations," See said.

At the dealership level, Edaran Otomobil Nasional Bhd CEO Akkbar Danial said the softer start to 2026 reflects expected normalisation following advance purchases late last year.

"We expect demand to stabilise progressively, supported by new model introductions and continued interest in electrified vehicle models such as the Proton e.MAS 7 and e.MAS 5," he said.

He noted that practical, value-driven models such as the Proton Saga remain key volume contributors, supported by improving accessibility through digital platforms and financing solutions.

On cost pressures, industry players acknowledge that the operating environment remains dynamic.

Rising labour costs, logistics expenses, foreign exchange movements and energy prices continue to affect the supply chain. However, companies are responding by tightening cost management and improving operational efficiency.

Overall, 2026 is shaping up as a year of consolidation rather than contraction, characterised by steady underlying demand, disciplined inventory management and a gradual shift towards electrified and value-driven models.

Data from the Malaysian Automotive Association showed January 2026 TIV falling 29.1% month-on-month to 64,300 units after December's record high, largely due to advance purchases at year-end.

However, volumes were still up 28.7% year-on-year, supported by spillover demand from late-2025 model launches, with Proton emerging as a standout performer.

Analysts expect near-term volumes to remain soft due to seasonal factors before normalising in the coming months.


Lau (left) notes the influx of Chinese marques, See (centre) sees the anticipated correction as healthy and Akbar says demand will stabilise progressively.