CIVIL AVIATION AUTHORITY OF MALAYSIA

OUTLOOK

MALAYSIA'S AIR TRANSPORT OUTLOOK 2026 — JANUARY 2026

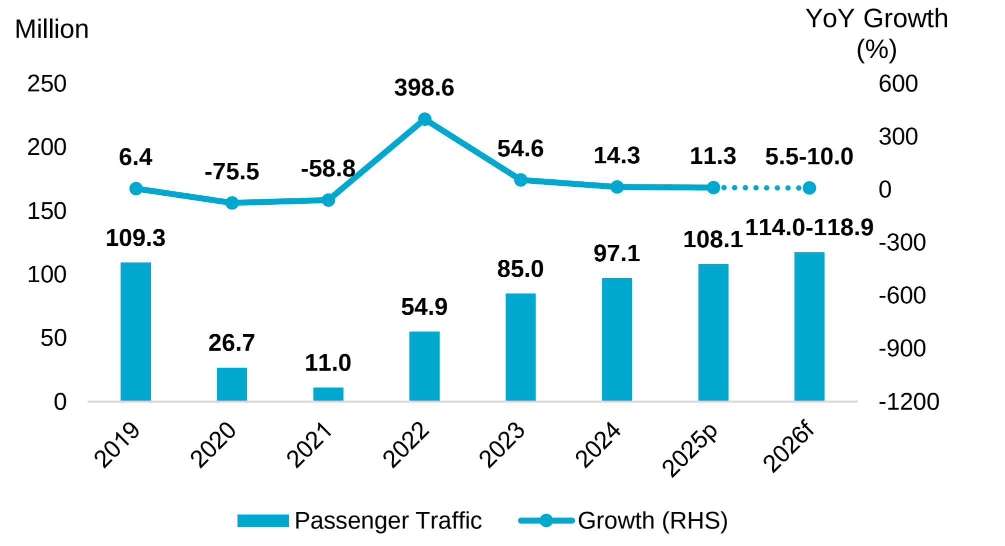
- *Malaysia's air passenger traffic is projected to reach record levels in 2026, with CAAM forecasting 114.0–118.9 million passengers, representing 5.5–10.0% year-on-year growth from 2025.*
- *Full-year passenger traffic in 2025 reached 108.1 million, within CAAM's forecast range of 105.8–112.9 million. Total traffic in 2026 is expected to exceed pre-pandemic levels by 4.3–8.8%.*
- *Growth will be supported by expanded airline capacity, Visit Malaysia 2026 campaign, visa-free access, and a stable domestic economy, while global economic slowdowns, geopolitical tensions, and supply chain constraints could limit passenger traffic.*
- *CAAM forecasts air cargo volumes in Malaysia to grow 2.0%–5.0% in 2026, supported by the continued demand for semiconductors, expanding e-commerce activity, and shifting regional supply chains. In 2025, Malaysia's air cargo volumes have increased to 4.8%, within CAAM's forecast of 4.5–8.5%.*
- *While sector investments signal confidence in air cargo growth, moderation in global GDP and lingering tariff concerns present downside risks.*

PASSENGER TRAFFIC OUTLOOK 2026

Malaysia's Passenger Traffic Expected to Hit Record High in 2026

Malaysia's passenger traffic is forecast to reach record levels in 2026, with CAAM forecasting between 114.0 and 118.9 million passengers, representing 5.5–10.0% year-on-year (YoY) growth from 2025. Total traffic is expected to surpass pre-pandemic (2019) levels by 4.3–8.8%.

Figure 1: Malaysia's Passenger Traffic



p preliminary, f forecast
Source: Aerodrome Operator Licence Holders, Civil Aviation Authority of Malaysia estimates

Key Drivers of Passenger Growth

Capacity increases: Passenger growth in 2026 is expected to be supported by increased seat capacity across domestic, ASEAN, and international routes.

Table 1: Malaysia's Seat Capacity Growth

Region	Seat Capacity 2025*e*	Seat Capacity 2026*f*	Growth (%)
Domestic	33,690,634	36,472,523	8.3
International (excl. ASEAN)	34,986,214	38,016,748	8.7
ASEAN	33,432,469	34,824,693	4.2
Total	102,109,317	109,313,964	7.1

Source: OAG Analyser, Civil Aviation Authority of Malaysia estimates

Based on current airline scheduling and announced capacity plans, several routes from KUL are forecast to record the largest increases in available seats. These additions reflect a combination of new frequencies, route launches, aircraft upgrades by carriers operating within ASEAN and in wider international markets. Table 2 highlights the most notable scheduled seat expansions within ASEAN, covering a mix of leisure and short-haul corridors.

Table 2: Top ASEAN Routes with the Highest Additional Seats in 2026

Route v.v.	Estimated Additional Seats	Estimated YoY Growth (%)
KUL– Phnom Penh (KTI)	430,928	197.8
KUL– Medan (KNO)	382,409	27.3
KUL– Cebu (CEB)	290,700	689.6
KUL– Manila (MNL)	161,182	15.7
KUL– Krabi (KBV)	133,500	29.3

Source: OAG Analyser, Civil Aviation Authority of Malaysia estimates

Table 3 shows the major seat additions outside ASEAN. Malaysia Airlines' fleet expansion is expected to drive growth on Sydney and Perth routes, while AirAsia X's new service to Istanbul will support both inbound demand and future European connectivity.

Table 3: Top International Routes with the Highest Additional Seats in 2026

Route v.v.	Estimated Additional Seats	Estimated YoY Growth (%)
KUL– Sydney (SYD)	237,798	26.5
KUL– Kathmandu (KTM)	206,854	46.2
KUL– Perth (PER)	174,637	21.7
KUL– Chengdu (TFU)	152,891	24.0
KUL– Istanbul (SAW)	129,688	614.3

Source: OAG Analyser, Civil Aviation Authority of Malaysia estimates

Table 4 shows international carriers with the largest seat additions in 2026. All are low-cost carriers (LCCs), indicating a strategic focus on price-sensitive markets and potential efforts to stimulate additional demand.

Table 4: International Carriers with the Highest Additional Seats in 2026

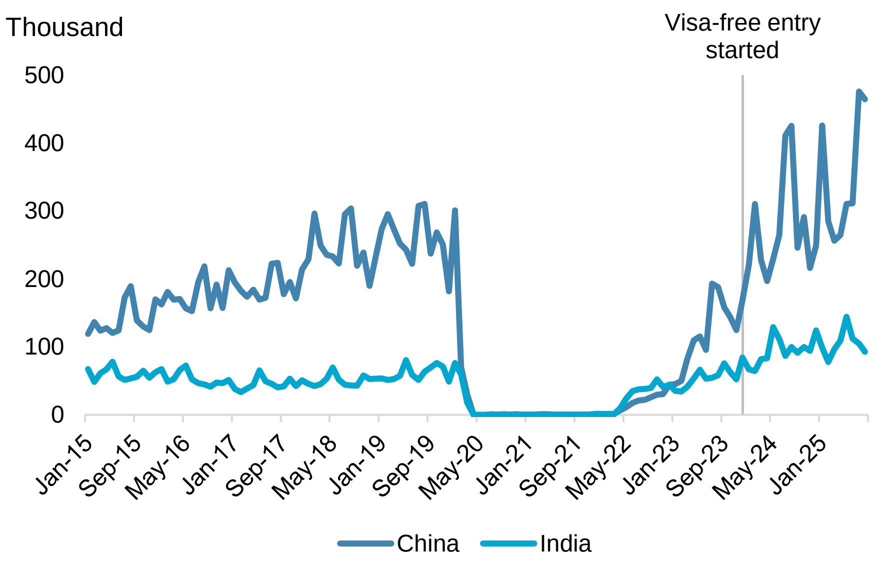
Route v.v.	Estimated Additional Seats	Estimated YoY Growth (%)
Indonesia AirAsia (QZ)	773,500	29.3%
Philippines AirAsia (Z2)	407,975	314.4%
HK Express (UO)	212,944	87.2%
AirAsia Cambodia (KT)	200,923	44.0%
VietJet Air (VJ)	150,339	48.8%

Source: OAG Analyser, Civil Aviation Authority of Malaysia estimates

Visit Malaysia 2026 (VM2026) campaign: Malaysia's passenger traffic will also be supported by the Visit Malaysia 2026 (VM2026) campaign, which targets 47.0 million international tourist arrivals—up from 25.0 million in 2024.[1] The campaign is supported by partnerships with major airlines, hotels, travel associations, and technology firms to improve connectivity, visitor experience, and marketing outreach.

Extension of visa-free access: The extension for key markets such as China (through 2030) and India (until 31 December 2026) is expected to support continued growth in arrivals. Since the policy took effect on 1 December 2023, there has been a notable increase in visitors from both China and India, indicating a positive response to the visa-free arrangement. Maintaining this policy through 2026 will help sustain interest in these key source markets.

Figure 2: International Arrivals by Country of Residence



Source: Tourism Malaysia, Civil Aviation Authority of Malaysia

[1] Tourism Malaysia (2025). Malaysia Welcomes The World: Tourism Malaysia and YTL Hotels Join Forces for Visit Malaysia 2026. Available at https://www.tourism.gov.my/media/view/malaysia-welcomes-the-world-tourism-malaysia-and-ytl-hotels-join-forces-for-visit-malaysia-2026

Stable domestic economy: Malaysia's economy is expected to grow steadily in 2026, with the International Monetary Fund (IMF) projecting real GDP growth of 4.0%. Growth is supported by resilient domestic consumption, a recovery in exports, and ongoing structural reforms in infrastructure and services.[2] Bank Negara Malaysia projects steady GDP growth of 4.0%–4.8% in 2026, supported by contained inflation and accommodative monetary policy. A stable macroeconomic environment will support the aviation sector through increased sectoral investment, promotional initiatives, enhanced connectivity, and facilitation of international arrivals from key markets.

Key Challenges and Risks

The downside risks for air passenger traffic in Malaysia as it grows toward 2026 include:

Global economic uncertainties: Slower growth and constrained household incomes in high-income source markets—such as the U.S., China, and Europe—may reduce outbound tourism. This would negatively affect Malaysia's air passenger traffic and related service sectors. At the same time, airlines are exposed to increased financial pressures because fuel purchases are USD-denominated while revenues are primarily earned in ringgit and other regional currencies. Exchange rate fluctuations can therefore amplify operational costs.

Geopolitical tensions: Malaysia relies heavily on visitors from China, the Middle East, and ASEAN countries. Regional conflicts or political instability—such as tensions in the Middle East—could reduce inbound tourism from these key markets. Even if Malaysia is not directly impacted, airlines may need to reroute flights or adjust schedules, and overall travel demand could decline, disrupting air passenger traffic.

Supply-chain constraints: Airlines' ability to expand capacity may be limited by ongoing supply-chain challenges. Delays in aircraft and engine deliveries, higher maintenance requirements, and constrained maintenance, repair, and overhaul (MRO) services could slow fleet growth. These operational bottlenecks may prevent airlines from meeting rising passenger demand, affecting service availability and schedule reliability.

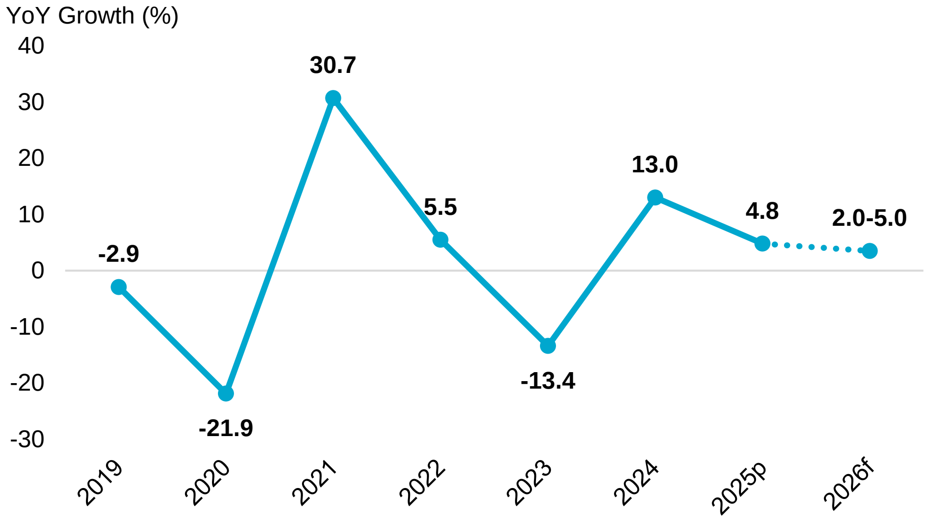
[2] IMF (2025). World Economic Outlook, October 2025. Available at https://www.imf.org/en/publications/weo/issues/2025/10/14/world-economic-outlook-october-2025

AIR CARGO TRAFFIC OUTLOOK 2026

Malaysia's Air Cargo Traffic Expected to Grow in 2026

CAAM forecasts Malaysia's air cargo traffic, measured in Freight Tonne Kilometre (FTK), to grow between 2.0%–5.0% YoY in 2026.

Figure 3: Malaysia's Air Cargo Traffic Forecast



p preliminary, f forecast
Note: Forecast is based on FTK data.
Source: CargoIS, Civil Aviation Authority of Malaysia estimates

Key Drivers of Cargo Growth

Malaysia's air cargo outlook for 2026 is supported by several key factors, including the continued demand for semiconductors, continued expansion of e-commerce, and ongoing supply chain reconfiguration.

Global semiconductor industry: According to the World Semiconductor Trade Statistics (WSTS), the global semiconductor industry is forecast to expand by approximately 9.9% to USD800 billion in 2026[3], driven by sustained demand for data centre capacity and AI-related applications. Malaysia, which accounts for around 7% of global market share and ranking sixth in the global exports[4], is expected to benefit from this growth. Continued investment under the National Semiconductor Strategy (NSS) further strengthens Malaysia's semiconductor ecosystem. In addition, Malaysia's data centre ecosystem, with RM 144.4 billion in approved investments between 2021 and 1H 2025[5], is expected to generate sustained imports of high-value ICT equipment. These developments are expected to lift air cargo demand, given the industry's reliance on rapid transport for high-value components.

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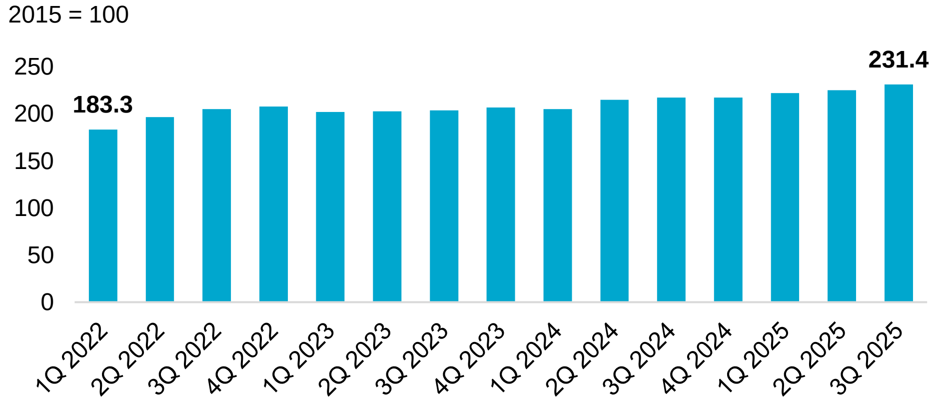
[3] World Semiconductor Trade Statistics (WSTS) (2025). Global Semiconductor Market show continued growth in Q2 2025. Available at https://www.wsts.org/76/Recent-News-Release

[4] Ministry of Finance Malaysia (MOF). Economic Outlook 2026. (10 October 2025). Available at https: //belanjawan.mof.gov.my/pdf/belanjawan2026/economy/economic-2026.pdf

[5] Bank Negara Malaysia Quarterly Bulletin (3Q 2025). Available at https://www.bnm.gov.my/documents/ 20124/19910400/qb25q3_en_book.pdf

Continued expansion of e-commerce: Malaysia has experienced consistent e-commerce growth (see Figure 4). At the regional level, the digital economy in ASEAN has expanded steadily and is expected to exceed USD300 billion in gross merchandise value by 2025, with e-commerce contributing to the largest share at USD185 billion.[6] These trends indicate that e-commerce will continue to drive air cargo growth in 2026, as rising online purchases increase demand for fast and reliable delivery services.

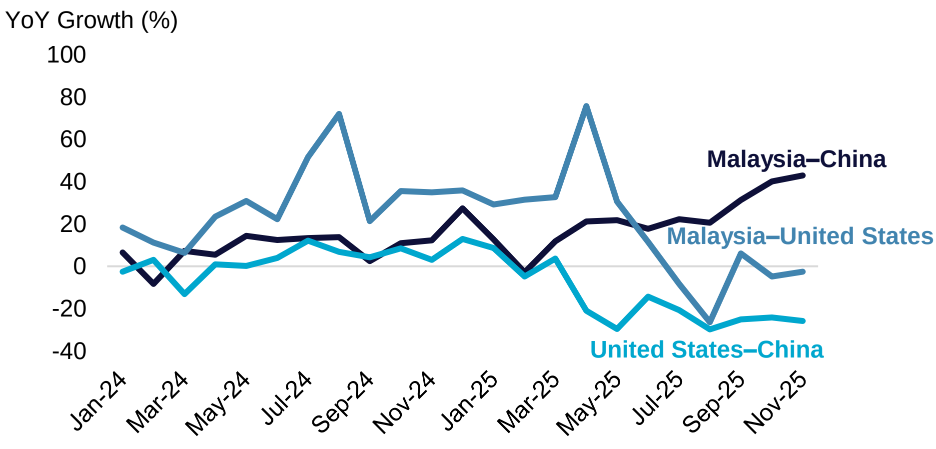
Figure 4: Malaysia's Retail Sales Outside Physical Stores



Note: Index of retail sales, not in stores, stalls or markets.
Source: Department of Statistics, Malaysia and Civil Aviation Authority of Malaysia estimates

Supply-chain reconfiguration: Global firms are shifting manufacturing out of China toward Southeast Asia, due to trade uncertainty, geopolitical risks, tariff pressures, and the need for supply-chain resilience. Figure 5 shows that the Malaysia–China trade flow have steadily increased, benefiting from this trend. The Malaysia–United States trade flows have become less predictable due to inventory fluctuations and tariff-related disruptions; however, the Agreement on Reciprocal Trade (ART) has contributed to some stabilisation. Trade flows between the United States and China remain weak as firms diversify their supply chains.

Figure 5: Bilateral Trade Performance: Malaysia, China, and the United States



Note: Figure is based on total trade values, including both imports and exports.
Source: Global Trade Tracker, Civil Aviation Authority of Malaysia estimates

[6] Google, Temasek, Bain & Company. E-Conomy SEA 2025. (11 November 2025). Available at https://economysea.withgoogle.com

Developments in the air cargo sector: The air cargo sector showed positive momentum in 2025, with operators such as Raya Airways and MJets Air adding freighters to their fleets, and new cargo carriers such as Ascend Airways Malaysia and Sin-Kung Airways entering the market. Cargo infrastructure also expanded, with MASkargo and DHL Express set to lease a new warehouse space in Kuching, and Ground Team Red and Teleport opening a new terminal in Sandakan. FedEx announced an expansion of its Asia Pacific network, including Malaysia. The Ministry of Transport plans to develop Kuala Lumpur International Airport, Penang International Airport, Kota Kinabalu International Airport, and Johor Bahru Senai International Airport into key cargo aviation hubs. These long-term investments in infrastructure and fleet expansion reflect confidence in the air cargo sector's growth potential, suggesting a positive outlook for 2026. Additionally, an increase in passenger flights and wide-body services next year is expected to boost belly-hold capacity, driving further growth in air cargo volumes in 2026.

Key Challenges and Risks

Air cargo growth in 2026 is subject to a range of downside risks, driven by ongoing trade uncertainty and a potential slowdown in the global economy. While recent trade agreements between the United States and China have eased some tensions, concerns over tariffs and export restrictions continue to weigh on business sentiment.

According to the IMF, global GDP growth is projected to slow to 3.1% in 2026, down from 3.2% in 2025. Similarly, growth in the Asia Pacific region is expected to moderate to 4.1%, down from 4.5% in 2025. The full impact of higher US tariffs is anticipated to be felt throughout 2026 as supply chains adapt, businesses adjust their pricing strategies, and global trade dynamics respond to the increased costs.

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