

Retail staples sector to weather 2026 challenges

Government initiatives to support household spending

CONSUMER

PETALING JAYA: Going into 2026, the expected higher cost of living and increased operating budgets for retailers are likely to put some pressure on the retail industry in Malaysia.

To add to that, the expansion of the sales and service tax or SST that went into effect in July 2025 will add to those pressures, as it will now cover leasing as well.

This factor is likely to raise tenancy-related expenses, particularly for retailers with a higher number of outlets located within malls.

Then comes the labour-related matters – employers now have to contribute 2% of monthly wages to the Employees Provident Fund or EPF, for all non-Malaysian employees excluding domestic helpers.

Lastly, phase four of the e-invoicing that commenced on New Year's Day requiring companies with an annual turnover of anything from RM1mil to issue e-invoices could potentially hike up compliance and administrative costs.

However, it is not all gloom and doom.

CIMB Securities Sdn Bhd said government initiatives including the RM15bil aid for Sumbangan Tunai Rahmah and Sumbangan Asas Rahmah (Sara) will continue to support retail spending.

A second one-off RM100 Sara payment to some 22 million locals will also help with spending, particularly as people get ready to celebrate Chinese New Year and Hari Raya.

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CIMB Securities

Perkhidmatan Awam will see civil servants receiving a 7% salary increment while upper management will get a 3% increase – both giving an uplift to household spending power,” its report said.

Supporting that sentiment are the third-quarter of 2025's results, as retail sales increased 4.9% year-on-year (y-o-y), exceeding Retail Group Malaysia's (RGM) forecast of 2.6%.

“The mini markets, convenience stores and co-operatives sub-sector recorded the strongest growth among retail categories at 18.1% y-o-y.

“Supermarkets and hypermarkets grew 5.1% y-o-y, while fashion and fashion accessories recovered strongly at 10.9%,” CIMB Securities noted.

In contrast, department stores, personal care and furniture outlets saw a drop, reflecting weaker discretionary consumption.

“These trends reinforce our view that value-oriented, staple-driven retail formats will continue to outperform, particularly

those aligned with government-supported consumption channels such as Sara,” the research firm said.

With that, RGM raised its financial year 2025 retail sales growth forecast to 3.6% y-o-y from 2.7%.

For the fourth quarter of 2025, it predicted a 5% y-o-y retail sales growth supported by year-end festivities, school holidays normalising towards pre-Covid 19 schedules, and sustained policy support.

“We expect Malaysian consumers to continue spending through the year-end holiday period, whereby purchases will more likely be skewed towards goods and services offering better value at affordable price points,” RGM had stated.

On a separate note, CIMB Securities opined that Visit Malaysia 2026 will provide an incremental boost to retail activity.

“Among consumer stocks under our coverage, we believe the key beneficiaries of this theme will be Life Water Bhd, MyNews Holdings Bhd and Padini Holdings Bhd,” it said.