Malaysia's GDP Surged +5.2%yoy in 3QCY25, Exceeding Expectations

Economic Review
Advance 3QCY25 GDP



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Economic Review

- Based on the advance estimate, Malaysia's GDP growth accelerated to +5.2%yoy in the 3QCY25 (2QCY25: +4.4%yoy), higher than our estimate and market consensus. The expansion was supported by the sustained growth in services sector, stronger manufacturing output and recovery in the mining & quarrying sector.
- On a quarter-on-quarter basis, GDP grew stronger at +5.5%qoq in 3QCY25 (2QCY25: +1.0%qoq), with both the services and manufacturing sectors growing at more than +4%qoq and the fastest pace since 4QCY24.
- The stronger-than-expected GDP growth in 3Q suggests a potential upside to our GDP growth projection for this year, which we forecast would moderate to +4.3% (2024: +5.1%), factoring in higher tariffs will affect production and exports, particularly to the US. We will review our projection once the full data for 3QCY25 is available as we remain concerned about downside risks on the external front.

GDP growth expanded more than expected

Based on the advance estimate, Malaysia's GDP growth accelerated to +5.2%yoy in the 3QCY25 (2QCY25: +4.4%yoy). The growth was stronger than expected, higher than our estimate (+4.4%yoy) and market consensus (+4.2%yoy). The expansion was largely supported by the sustained growth in services sector (+5.1%yoy; 2QCY25: +5.1%yoy), stronger manufacturing output (+4.0%yoy; 2QCY25: +3.7%yoy) and recovery in the mining & quarrying sector (+10.9%yoy; 2QCY25: -5.2%yoy). The construction industry also maintained double-digit growth, albeit moderating to +11.2%yoy (2QCY25: +12.1%yoy). Meanwhile, the agriculture sector recorded a slight rise of +0.4%yoy, moderating from +2.1%yoy in the previous quarter.

Services and manufacturing sectors sustained growth momentum

The services sector sustained its strong performance, recording +5.1%yoy growth in September, unchanged from the previous month. The continued expansion was driven by solid gains in wholesale and retail trade, transportation and storage, as well as food & beverage and accommodation sub-sectors, reflecting firm consumer demand and steady tourism activities. Meanwhile, the manufacturing sector expanded further by +4.0%yoy (2QCY25: +3.7%yoy), marking the seventh consecutive quarter of growth. The improvement was supported by higher output in electrical, electronic & optical products, vegetable and animal oils & fats, food processing, and non-metallic mineral, basic metal, and fabricated metal products. The sustained uptrend suggests continued resilience in industrial activity, bolstered by resilient export demand.

Mining rebounded sharply while construction sustained double-digit growth

The mining and quarrying sector rebounded strongly by +10.9%yoy (1QCY25: –5.2%yoy), reversing four consecutive quarters of contraction and marking the strongest performance since 2QCY21. The surge was mainly driven by a sharp recovery in natural gas and crude oil & condensate output, reflecting improved production activity and higher energy demand. The rebound and surge in mining output were also in line with the recovery in mining exports. Meanwhile, the construction sector continued to post double-digit growth of +11.0%yoy (1QCY25: +14.2%yoy), though at a more moderate pace. The expansion remained broad-based, led by civil engineering projects, specialised construction activities, and non-residential

buildings, supported by ongoing public infrastructure and private development projects. The agriculture sector, however, grew modestly by +0.4%yoy (2QCY25: +2.1%yoy), marking slowest growth since 4QCY21. The slowdown was mainly due to declines in the oil palm and rubber sub-sectors, partly offset by steady gains in livestock, pother agriculture, and fishing activities.

GDP surged to +5.4%qoq due to broad-based improvement

On a quarter-on-quarter basis, Malaysia's GDP accelerated to +5.5%qoq in 3QCY25 (2QCY25: +1.0%qoq). This was due to higher growth recorded across all the sub-sectors. The services sector rose further by +4.3%qoq (2QCY25: +1.1%qoq), whereas manufacturing sector increased by +4.6%qoq (1QCY25: +1.3%qoq). Both sectors marked the highest reading since 4QCY24. Meanwhile, the construction sector grew by +7.7%qoq (2QCY25: +1.9%qoq), marking three consecutive quarters of expansion. The agriculture sector registered a double-digit growth of +13.6%qoq (2QCY25: +8.2%qoq), signalling a continued recovery from the declines recorded in 4QCY24 and 1QCY25.

Domestic demand remains the pillar for growth

We believe domestic spending continued to grow as shown by the sustained expansion in the services sector. Moreover, retail trade also expanded relatively faster (average Jul-Aug-25: +5.3%yoy; 2QCY25: +5.0%yoy) on the back of healthy labour market and still mild inflation. This suggests consumers continue to increase spending despite concerns policy changes, such as the expansion of SST coverage, which would lead to higher prices and hurt consumer sentiment. Meanwhile, investment activities likely continue to grow during the quarter, given the sustained growth in construction sector.

Resilience in trade of goods despite tariff concerns

Looking at the still resilient external trade performance, we estimate net exports contributing positively to Malaysia's GDP growth in 3QCY25. With exports of goods growing faster at +6.7%yoy (2QCY25: +3.3%yoy), trade of goods recorded a larger surplus of +RM50.3b (2QCY25: +RM14.3b) which was +93.6%yoy higher than 3Q last year. This suggests limited impact of higher US tariffs so far. The trade report released today also shows Malaysia's exports to the US rebounded to 24.4%yoy (Aug-25: -17.2%yoy), contributing to the surge in total exports to +12.2% (Aug-25: +1.7%yoy).

Potential upgrade to our 2025 growth forecast

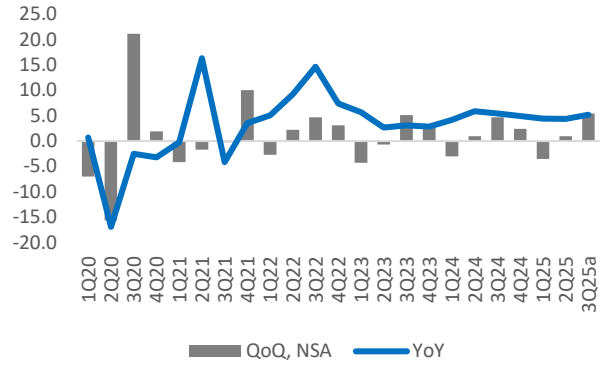
The stronger-than-expected GDP growth in 3Q suggests a potential upside to our GDP growth projection for this year, which we forecast would moderate to +4.3% (2024: +5.1%), factoring in higher tariffs will affect production and exports, particularly to the US. We will review our projection once the full data for 3QCY25 is available. Overall, we expect the sustained growth in domestic demand, more or less in line with our expectations, will remain the main driver of Malaysia's economic growth in 2025 and 2026. Nevertheless, we remain concerned about downside risks on the external front, including tighter trade rules —with US planning to impose higher tariffs on the semiconductor industry— as well as weaker growth (and demand) from major trading partners.

Table 1: Summary of GDP by Major Sectors

	Quarterly Basis (QoQ %)*				Yearly Basis (YoY %)			
	4Q24	1Q25	2Q25	3Q25a	4Q24	1Q25	2Q25	3Q25a
GDP	2.4	(3.5)	1.0	5.5	4.9	4.4	4.4	5.2
Agriculture	(11.6)	(7.6)	8.2	13.6	(0.7)	0.7	2.1	0.4
Mining & Quarrying	17.3	(2.5)	(11.6)	9.8	(0.7)	(2.7)	(5.2)	10.9
Manufacturing	1.9	(3.7)	1.3	4.6	4.2	4.1	3.7	4.0
Construction	(0.8)	2.2	1.9	7.7	20.7	14.2	12.1	11.2
Services	3.2	(3.4)	1.1	4.3	5.5	5.0	5.1	5.1

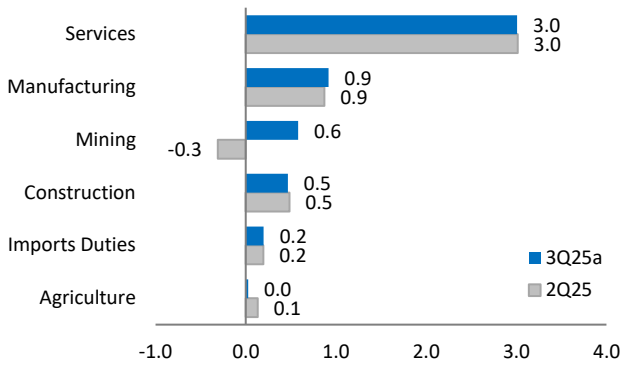
* Non-seasonally adjusted [a] Advance estimate
Source: Macrobond, MBSBR

Chart 1: Real GDP: Year-on-Year vs. Quarter-on-Quarter (%)



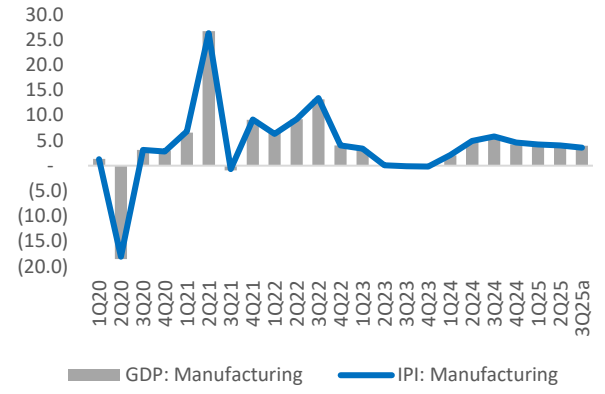
a Advance estimate
Source: Macrobond, MBSBR

Chart 2: Contribution to 3QCY25 GDP Growth by Major Sector (%-point)



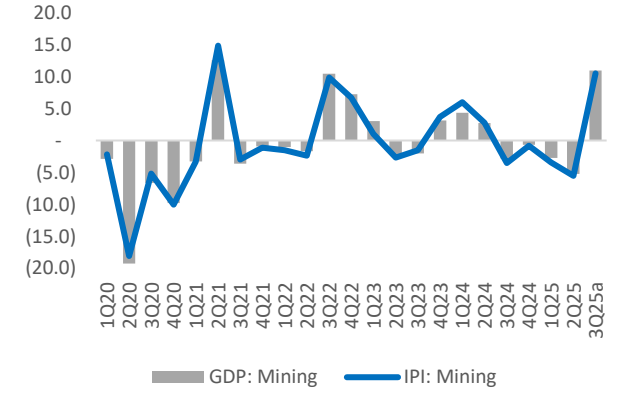
a Advance estimate
Source: Macrobond, MBSBR

Chart 3: Manufacturing GDP vs Manufacturing IPI (YoY%)



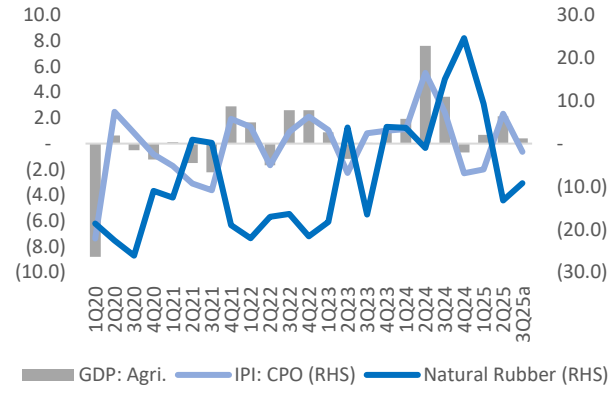
a Advance estimate
Source: Macrobond, MBSBR

Chart 4: Mining GDP vs Mining IPI (YoY%)



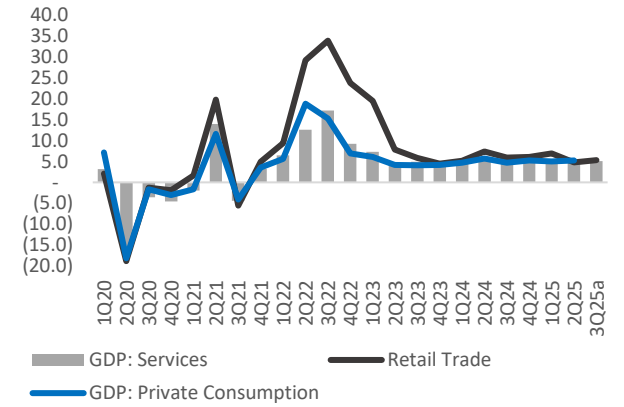
a Advance estimate
Source: Macrobond, MBSBR

Chart 5: Agriculture GDP vs CPO IPI vs Natural Rubber Output (YoY%)



a Advance estimate
Source: Macrobond, DOSM, MBSBR

Chart 6: Services GDP vs Private Consumption vs Retail Trade (YoY%)



a Advance estimate
Source: Macrobond, DOSM, MBSBR

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