# 3Q25 GDP Growth to Climb +5.1%yoy, Slightly Below Advance Estimate

Economic Review: 3QCY25 National Account Preview



**Author**

**MBSB Research**
research@midf.com.my

Economic Review

- We believe the resilience in Malaysia's domestic demand contributed to the stronger and more robust GDP growth in 3QCY25. Domestic spending activities continue to expand, underpinned by still healthy labour market conditions, cash transfers from the government, still manageable inflationary pressures and increased tourist arrivals.
- In 3QCY25, external trade is estimated to have bounced back and contributed positively to economic growth. Net exports of goods, in particular, rebounded by +93.6%yoy to a larger surplus of +RM50.3b. The turnaround was attributable to stronger exports, in contrast to sharp moderation in import growth.
- We expect the services sector growth in the 3QCY25 GDP will be slightly more moderate than the advance estimate of +5.1%yoy. In contrast, the full-quarter growth for the manufacturing and agriculture sectors could exceed the advance estimates, given the stronger manufacturing IPI and recovery in plantation sector output.
- We expect the full-quarter GDP growth in 3QCY25 will be around +5.1%yoy (2QCY25: +4.4%yoy). The slight downward revision from the advance estimate of +5.2%yoy will mainly reflect the moderation in the services sector growth.

**Economic growth sustained by growing domestic demand**

Looking at the recent economic data updates, we believe the resilience in Malaysia's domestic demand contributed to the stronger and more robust GDP growth in 3QCY25. Domestic spending activities continue to expand, underpinned by still healthy labour market conditions, cash transfers from the government, still manageable inflationary pressures and increased tourist arrivals. We foresee sustained growth in private consumption in 3QCY25, as indicated by the stronger growth in retail trade which grew by +5.9%yoy (2QCY25: +5.1%yoy). More people secured jobs, as total employment grew faster at +3.1%yoy (2QCY25: +2.9%yoy), which continued to surpass the labour force growth (+2.9%yoy; 2QCY25: +2.7%yoy) and as a result the number of unemployment dropped further by -3.9%yoy (2QCY25: -4.4%yoy). With total unemployment falling to post-pandemic low of 519.9K, the unemployment rate remained at 3.0%, (2QCY25: 3.0%), which is the lowest in 10 years. Inflation remained manageable albeit the headline still averaging at +1.3%yoy (2QCY25: +1.3%yoy), despite slight acceleration to +1.5%yoy in Sep-25. The underlying demand pressures remained stable and under control, although the core CPI quickened to +2.0%yoy (2QCY25: +1.8%yoy). We continue to expect Malaysia's positive growth outlook this year as well as going into next year will be underpinned by the continued rise in household and business spending. On another note, the better performance of external trade in 3QCY25 suggests the slowdown in external trade this year may not be as significant as projected previously.

**Positive contribution from external trade**

In 3QCY25, external trade is estimated to have bounced back and contributed positively to economic growth. Net exports of goods, in particular, rebounded by +93.6%yoy to a larger surplus of +RM50.3b (2QCY25: +RM14.3b; 3QCY24: +RM26.0b). The turnaround was attributable to stronger exports, which grew by +6.7%yoy (2QCY25: +3.3%yoy), in contrast to sharp moderation in import growth (+0.4%yoy; 2QCY25: +9.0%yoy). The pick-up in exports was driven mainly by stronger re-exports (+37.2%yoy; 2QCY25: +21.2%yoy), while domestic exports

fell at slower pace of -0.4%yoy (2QCY25: -0.9%yoy). By major product, the increased outbound shipments were due to increased E&E exports (+17.5%yoy; 2QCY25: +13.5%yoy) and slower fall in mining goods exports (-1.1%; 2QCY25: +-18.2%yoy), both LNG (-7.7%yoy; 2QCY25: -20.6%yoy) and crude petroleum (-15.2%yoy; 2QCY25: -27.7%yoy). Meanwhile, slower import growth was explained by sharper decline in purchases of intermediate goods (-14.4%yoy; 2QCY25: -2.5%yoy) and lower imports of consumption goods (-3.4%yoy; 2QCY25: +0.1%yoy). On another note, we expect little push from services trade, as increased services exports, on the back of increased tourist arrivals, are balanced by increased services imports, supported by growing business activities.

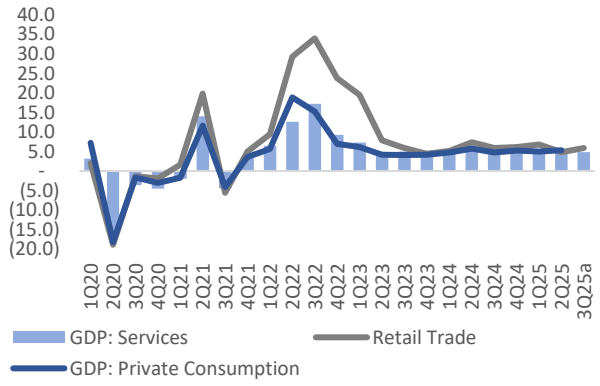
**Moderation in services activities, but more encouraging manufacturing sector growth**

Analysing the recent supply-side indicators, we expect the services sector growth in the 3QCY25 GDP will be slightly more moderate than the advance estimate of +5.1%yoy. This is based on the slower growth in the volume index of services sector activity, which moderated to +4.8%yoy in 3QCY25 (2QCY25: +5.1%yoy). In particular, real estate services and finance & insurance were the sub-sectors which recorded weaker or more moderate expansion, compared to the previous quarter. Meanwhile, other industries namely construction and mining sectors could also record slightly slower growth or similar to the advance estimates, looking at the continued moderation in construction work done (3QCY25: +10.2%yoy; 2QCY25: +12.9%yoy) as well as relatively slower recovery in mining sector output in Sep-25 (+10.3%yoy; Aug-25: +16.8%yoy). In contrast, the full-quarter growth for the manufacturing and agriculture sectors could exceed the advance estimates, taking into account the stronger expansion in manufacturing IPI in Sep-25 (+5.0%yoy; Aug-25: +2.8%yoy) and recovery in plantation sector output (Sep-25: +3.3%yoy; Aug-25: -2.1%yoy).

**Expect 3Q GDP growth marginally slower than the advance estimate**

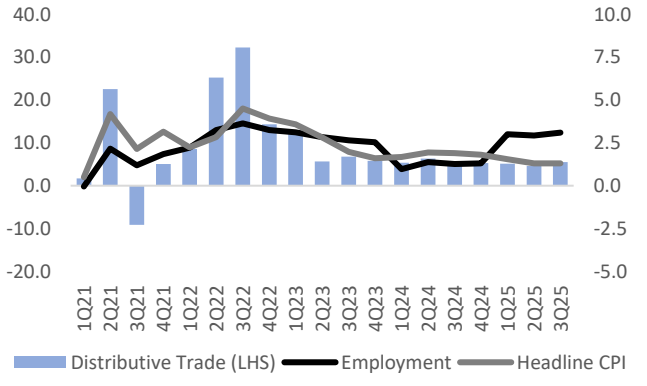
We expect the full-quarter GDP growth in 3QCY25 will be around +5.1%yoy (2QCY25: +4.4%yoy). The slight downward revision from the advance estimate of +5.2%yoy will mainly reflect the moderation in the services sector growth. While we expect the overall growth will be sustained by growing domestic spending and investment activities, we believe the more robust growth, 3QCY25, was also attributable to more encouraging external trade (i.e. improved export performance) on the back of front-loading activities and reduced uncertainties following the trade negotiations with the US. In the short run, we expect GDP growth will be more moderate in 4QCY25 due to fading effects of front-loading activities. Nevertheless, we remain cautious that renewed trade and geopolitical tensions would de-stabilize and disrupt global trade and supply chain activities.

**Chart 1: Private Consumption vs Retail Trade and GDP: Services (YoY%)**




Note: Services GDP for 3QCY25 refers to advance estimate
Source: Macrobond, MBSBR

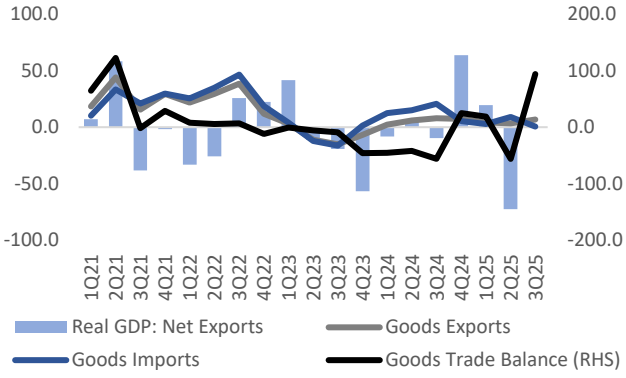
**Chart 2: Distributive Trade vs. CPI and Employment (YoY%)**



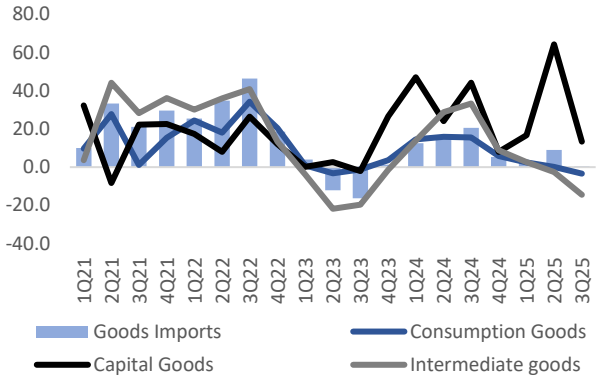

Source: Macrobond, MBSBR

**5Chart 3: GDP vs. External Trade of Goods (YoY%)**

**Chart 4: Imports of Goods by End-Use (YoY%)**

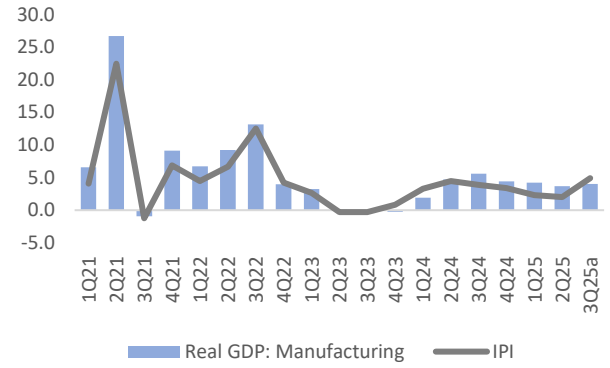



Source: Macrobond, MBSBR



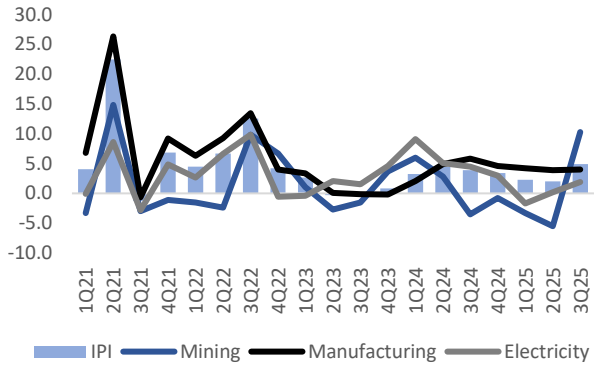

Source: Macrobond, MATRADE, MBSBR

**Chart 5: IPI: Manufacturing vs. GDP: Manufacturing (YoY%)**



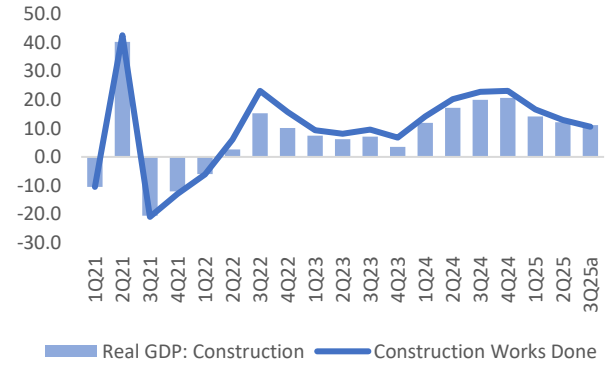

Note: Manufacturing GDP for 3QCY25 refers to advance estimate
Source: DOSM, MBSBR

**Chart 6: IPI by Major Sector (YoY%)**



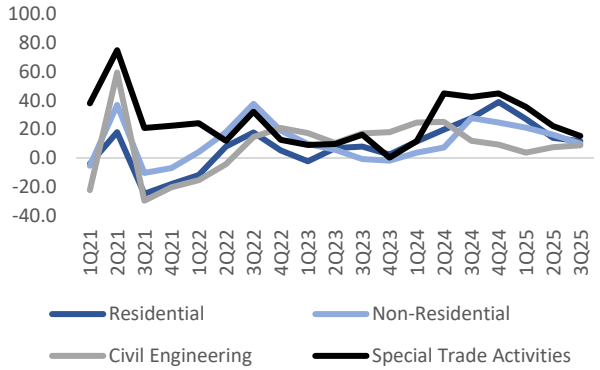

Source: DOSM, MBSBR

**Chart 7: Real GDP: Construction vs. Construction Works Done (YoY%)**




Note: Construction GDP for 3QCY25 refers to advance estimate
Source: DOSM, MBSBR

**Chart 8: Construction Works Done by Segments (YoY%)**




Source: DOSM, MBSBR

**Table 1: Selected-Macroeconomic Data Updates**

| YoY% Unless Stated Otherwise | 2Q24 | 3Q24 | 4Q24 | 1Q25 | 2Q25 | 3Q25 |
|---|---|---|---|---|---|---|
| Distributive Trade (DT) | 6.4 | 5.1 | 5.3 | 5.2 | 4.6 | 5.5 |
| DT: Wholesale Trade | 4.5 | 4.3 | 5.0 | 5.5 | 5.1 | 5.8 |
| DT: Retail Trade | 7.4 | 5.9 | 6.1 | 6.8 | 5.0 | 5.9 |
| DT: Motor Vehicles | 9.9 | 5.0 | 3.7 | (1.7) | 1.4 | 3.3 |
| IPI | 4.5 | 4.1 | 3.4 | 2.3 | 2.0 | 4.9 |
| IPI: Mining | 2.6 | (3.5) | (0.8) | (3.3) | (5.5) | 10.5 |
| IPI: Manufacturing | 4.9 | 5.8 | 4.5 | 4.2 | 3.9 | 4.0 |
| IPI: Electricity | 5.1 | 4.6 | 3.1 | (1.7) | 0.2 | 1.9 |
| Manufacturing Sales | 5.7 | 6.6 | 4.4 | 4.0 | 3.4 | 3.5 |
| Gross Exports of Goods | 5.9 | 7.8 | 7.3 | 4.3 | 3.3 | 6.7 |
| Domestic Exports | 11.8 | 12.4 | 8.8 | 4.6 | (0.4) | (0.9) |
| Re-Exports | (12.5) | (7.2) | 3.8 | 3.9 | 21.2 | 37.2 |
| Gross Imports of Goods | 15.1 | 20.5 | 5.3 | 2.8 | 9.0 | 0.4 |
| Trade Balance (RM Billion) | 32.4 | 26.0 | 46.0 | 41.0 | 14.3 | 50.3 |
| Employment | 1.4 | 1.3 | 1.3 | 3.0 | 2.9 | 3.1 |
| Unemployment | (6.3) | (5.6) | (4.7) | (5.0) | (4.4) | (3.9) |
| Unemployment Rate (%) | 3.2 | 3.2 | 3.2 | 3.1 | 3.0 | 3.0 |
| Headline CPI Inflation | 1.9 | 1.9 | 1.8 | 1.5 | 1.3 | 1.3 |
| Core CPI Inflation | 1.9 | 1.9 | 1.7 | 1.9 | 1.8 | 2.0 |
| USDMYR, Average | 4.73 | 4.46 | 4.40 | 4.45 | 4.31 | 4.23 |
| USDMYR, End-period | 4.72 | 4.12 | 4.47 | 4.44 | 4.21 | 4.21 |
| Brent Oil (USD per barrel), Average | 85.03 | 78.71 | 74.01 | 74.97 | 66.73 | 68.17 |
| CPO (RM per tonne), Average | 4,039 | 3,989 | 4,840 | 4,724 | 4,056 | 4,271 |

Source: Macrobond, Bloomberg, MBSBR

**MBSB RESEARCH (formerly known as MIDF Research) is part of**
**MBSB Investment Bank Berhad (formerly known as MIDF Amanah Investment Bank)**
(Bank Pelaburan) (A Participating Organisation of Bursa Malaysia Securities Berhad)

## DISCLOSURES AND DISCLAIMER

**This report has been prepared by MBSB INVESTMENT BANK BERHAD (formerly known as MIDF Amanah Investment Bank Berhad) 197501002077 (24878-X).**

It is for distribution only under such circumstances as may be permitted by applicable law.

Readers should be fully aware that this report is for information purposes only. The opinions contained in this report are based on information obtained or derived from sources that we believe are reliable. MBSB INVESTMENT BANK BERHAD (formerly known as MIDF AMANAH INVESTMENT BANK BERHAD) makes no representation or warranty, expressed or implied, as to the accuracy, completeness or reliability of the information contained therein and it should not be relied upon as such.

This report is not, and should not be construed as, an offer to buy or sell any securities or other financial instruments. The analysis contained herein is based on numerous assumptions. Different assumptions could result in materially different results. All opinions and estimates are subject to change without notice. The research analysts will initiate, update and cease coverage solely at the discretion of MBSB INVESTMENT BANK BERHAD (formerly known as MIDF AMANAH INVESTMENT BANK BERHAD).

The directors, employees and representatives of MBSB INVESTMENT BANK BERHAD (formerly known as MIDF AMANAH INVESTMENT BANK BERHAD) may have an interest in any of the securities mentioned and may benefit from the information herein. Members of the MBSB Group and their affiliates may provide services to any company and affiliates of such companies whose securities are mentioned herein This document may not be reproduced, distributed or published in any form or for any purpose.