Strong 3Q25 GDP Growth at +5.2%yoy with Turnaround in Net Exports

Economic Review
3QCY25 GDP



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Economic Review

- Malaysia's GDP growth increased at a faster pace by +5.2%yoy in 3QCY25 (2QCY25: +4.4%yoy), in line with advance estimate and market expectations. The growth was marginally higher than our expectation of a +5.1%yoy growth as we assumed a slightly sharper moderation in the services sector.
- Net exports contributed positively to 3QCY25 GDP growth, with the real trade surplus of goods and services expanding by +17.7%yoy (2QCY25: -72.6%yoy). This was driven by a sharper moderation in imports (+0.4%yoy; 2QCY25: +6.6%yoy) relative to the more moderate easing in exports (+1.4%yoy; 2QCY25: +2.6%yoy).
- On the supply side, services growth remained steady at +5.0%yoy (2QCY25: +5.1%yoy), slightly below the advance estimate of +5.1yoy but above our forecast of +4.8%yoy. Construction moderated further to +11.8 yoy (2QCY25: +12.1% yoy), while manufacturing expanded faster at +4.1%yoy (2QCY25: +3.7%yoy), slightly above the advance estimate of +4.0%yoy. Mining rebounded strongly to +9.7%yoy (2QCY25: -5.2%yoy), driven by broad-based growth across key segments.
- We revise our GDP growth forecast for 2025 higher to +4.6% (previous: +4.3%), taking into account the strong growth in 3QCY25 and less significant impacts of tighter US trade rules on external trade and production activities. Apart from the recovery in mining output, Malaysia continues to benefit from the global tech upcycle.

GDP expanded robustly by +5.2%yoy in 3QCY25

Malaysia's GDP growth increased at a faster pace by +5.2%yoy in 3QCY25 (2QCY25: +4.4%yoy), in line with advance estimate and market expectations. The growth was marginally higher than our expectation of a +5.1%yoy growth as we assumed a slightly sharper moderation in the services sector. During the quarter, domestic demand continued to show resilience, albeit growing at a softer pace at +4.6%yoy (2QCY25: +7.2%yoy). Growth was supported by steady rise in private final consumption (+5.0%yoy; 2QCY25: +5.3%yoy), thanks to the healthy labour market conditions as well as low and stable inflation. Meanwhile, government spending expanded faster at +7.1%yoy (2QCY25: +6.4%yoy). Gross fixed capital investment moderated by +7.2%yoy (2QCY25: +12.2%yoy) with softer growth seen in investments by both the private (+7.3%yoy; 2QCY25: +11.8%yoy) and public (+11.6%yoy; 2QCY25: +13.6%yoy) sectors.

Domestic demand continued to anchor growth

The sustained rise in domestic economic activities remained a key factor anchor Malaysia's economic growth above +4.0%. Excluding the rebound in net exports (which contributed +0.7ppt to GDP growth), almost 86% (or +4.4ppt) of the GDP growth during the quarter was contributed by domestic demand. We continue to expect investment activity to grow bolstered by the ongoing advancement of multi-year projects, the rollout of catalytic initiatives under national master plans, and the accelerated realisation of approved investments. Looking ahead, the sustained growth in domestic demand will remain the major driver of Malaysia's economic growth, helping to buffer the impact of external headwinds such as weakening global trade and heightened geopolitical risks. The tourism sector is also set to play a growing role in supporting the economy, with stronger tourist arrivals and increased spending expected to boost the services and retail industries. Malaysia's trade outlook remains challenging, threat of sector-specific tariffs on semiconductors could add further downside risk, potentially hurting the semiconductor industry and weighing on Malaysia's economic prospects.

Sequential growth strengthened

On quarter-on-quarter basis, Malaysia's GDP rose slightly faster by +2.4%qoq in 3QCY25 (2QCY25: +2.2%qoq), based on the seasonally adjusted data. Most sectors recorded sequential rise except agriculture, which declined by -2.5%qoq (2QCY24: +4.5%qoq), reversing expansion in the previous two quarters. Overall growth was attributable to the double-digit rebound in mining and quarrying (+13.8%qoq; 2QCY25: -5.5%qoq) after two consecutive quarters of contraction. Other sectors recorded sustained growth, including manufacturing (+1.8%qoq; 2QCY25: +2.1%qoq), construction (+5.2%qoq – unchanged), and services (+1.7%qoq; 2QCY25: +2.3%qoq). On the demand side, higher growth was seen for government consumption spending (+6.1%qoq; 1QCY25: +1.4%qoq) and real exports (+1.2%qoq; 2QCY25: +0.5%qoq), with both components expanding for the third consecutive quarter. Private consumption growth eased to +0.5%qoq (2QCY25: +2.1%qoq), the slowest pace since 3QCY24, though it still marked the 11th consecutive quarter of expansion. Gross fixed capital formation and real imports declined by -0.1%qoq (2QCY25: +6.5%qoq) and -3.0%qoq (2QCY25: +6.6%qoq), respectively.

Net exports bolstered growth

Net exports contributed positively to 3QCY25 GDP growth, with the real trade surplus of goods and services expanding by +17.7%yoy (2QCY25: -72.6%yoy). This was driven by a sharper moderation in imports (+0.4%yoy; 2QCY25: +6.6%yoy) relative to the more moderate easing in exports (+1.4%yoy; 2QCY25: +2.6%yoy). The moderation in both exports and imports to a certain extent reflects the fading effect of front-loading and inventory building ahead of the US tariff implementation. Nevertheless, the continued expansion in exports was supported by higher shipments of electrical and electronics (E&E) products, petroleum products, and palm oil and palm-oil–based products, primarily to Singapore, the US, and China. Meanwhile, services exports moderated to +6.7%yoy (2QCY25: +8.0%yoy), supported by sustained tourism activity and stronger tourist spending. Despite this, we are still cautious that strong imports, particularly capital goods, would keep the goods trade surplus subdued. In addition to higher US tariffs, softer external demand poses downside risks to the export outlook. As a result, net exports are likely to remain a drag on growth in the coming quarters.

Current account surplus widened amid persistent income deficits

Malaysia's current account surplus expanded to +RM12.2b (2QCY25: +RM0.3b), attributable to the higher trade surplus and lower deficits in secondary income balance. The overall goods and services surplus expanded to RM34.0b (2QCY25: RM13.7b), driven by a higher goods surplus of RM33.3b (2QCY25: RM17.0b) and a services surplus of RM0.7b (2QCY25: -RM3.3b). The services surplus was supported by stronger travel receipts, reflecting robust tourism ahead of Visit Malaysia Year 2026. In terms of the income account, the deficit in the primary account narrowed further to -RM19.9b (2QCY25: -RM8.9b). However, the deficit in secondary income account expanded to -RM1.8b (2QCY25: -RM4.6b). The current account surplus rose to 2.8% of GDP (2QCY25: 0.1%). However, with persistent income account deficits, we expect the current account surplus to remain subdued, likely around +1.4% of GDP—similar to last year—and below +2.0% of GDP over the next year.

Table 1: Summary of GDP by Expenditure Approach

	Quarterly Basis (QoQ %)				Yearly Basis (YoY %)			
	4Q24	1Q25	2Q25	3Q25	4Q24	1Q25	2Q25	3Q25
GDP	2.4	(3.5)	1.0	5.4	4.9	4.4	4.4	5.2
Domestic Demand	1.6	(3.4)	5.1	1.4	3.0	3.7	7.2	4.6
Private Consumption	(2.1)	2.2	(0.9)	5.3	5.3	5.0	5.3	5.0
Govt. Consumption	27.3	(24.2)	(0.4)	9.5	4.0	4.3	6.4	7.1
Private Investment	(17.6)	26.6	11.3	(6.0)	12.7	9.2	11.8	7.3
Public Investment	69.0	(37.9)	(10.3)	11.0	10.0	11.6	13.6	7.4
Real Exports	(0.5)	(4.1)	1.2	5.0	8.7	4.1	2.6	1.4
Real Imports	(2.0)	(3.9)	7.5	(1.0)	5.9	3.1	6.6	0.4
Net Exports	21.8	(5.9)	(80.7)	432.7	63.6	19.6	(72.6)	17.7

Note: QoQ is non-seasonally adjusted
Source: Macrobond, MBSBR

On the supply-side:

Supply-side growth mixed, led by manufacturing and mining

- **Services**: Growth remained steady at +5.0%yoy (2QCY25: +5.1%yoy), slightly below the advance estimate of +5.1%yoy but above our expectation of +4.8%yoy. Overall, services moderated more slowly than expected. Sub-sectors registering faster growth included electricity & gas, water, sewerage and waste management, food & beverage, retail trade, and motor vehicles.
- **Construction**: The sector moderated further to +11.8%yoy (2QCY25: +12.1%yoy), higher than the advance estimates of +11.2%yoy.
- **Manufacturing**: Expanded faster at +4.1%yoy (2QCY25: +3.7%yoy), slightly above the advance estimate of +4.0%yoy. Growth was driven by higher production of electrical equipment (+8.5%yoy; 2QCY25: +4.9%yoy), machinery & equipment (+8.5%yoy; 2QCY25: +6.8yoy), and medical equipment (+5.5%yoy; 2QCY25: +3.3%yoy).
- **Agriculture**: Output moderated sharply to +0.4%yoy (2QCY25: +2.5%yoy), in line with advance estimates but below our forecast of +1.1%yoy, due mainly to declines in palm oil (-0.7%yoy; 2QCY25: +5.3%yoy) and rubber (-11.1%yoy; 2QCY25: -10.6%yoy) production.
- **Mining**: Rebounded to +9.7%yoy (2QCY25: -5.2%yoy), slightly below the advance estimate of +10.9% and our expectation of 10.0%. The expansion was broad-based, led by crude oil (+8.3%yoy; 2QCY25: -1.6%yoy) and natural gas (+11.6%yoy; 2QCY25: -8.1%yoy).

Table 2: Summary of GDP by Supply-Side Approach

	QoQ%			YoY%		
	1Q25	2Q25	3Q25	1Q25	2Q25	3Q25
GDP	**(3.5)**	**1.0**	**5.4**	**4.4**	**4.4**	**5.2**
Agriculture, Forestry & Fishing	**(7.6)**	**8.6**	**13.2**	**0.7**	**2.5**	**0.4**
Rubber	(15.5)	(27.2)	31.2	9.1	(10.6)	(11.1)
Oil Palm	(23.2)	25.0	15.0	(3.1)	5.3	(0.7)
Livestock	(2.6)	(2.8)	12.1	2.5	1.7	2.1
Other Agriculture	9.6	4.3	9.7	2.2	2.0	1.5
Forestry & Logging	(13.2)	17.1	6.3	(10.5)	(3.0)	0.9
Marine Fishing	14.4	(15.9)	27.6	10.3	1.0	2.8
Aquaculture	(17.4)	24.9	3.7	2.7	(0.2)	(4.0)
Mining & Quarrying	**(2.5)**	**(11.6)**	**8.6**	**(2.7)**	**(5.2)**	**9.7**
Crude Oil	0.2	(1.2)	(1.6)	(4.6)	(1.6)	8.3
Natural Gas	(3.1)	(16.2)	12.6	(2.2)	(8.1)	11.6
Others	(8.4)	(22.8)	29.9	1.5	(2.9)	5.3
Manufacturing	**(3.7)**	**1.3**	**4.7**	**4.1**	**3.7**	**4.1**
Vegetable & Animal Oils & Fats	(27.0)	28.9	(0.9)	12.6	15.3	1.1
Food Processing	(8.3)	16.0	9.8	7.7	10.0	9.7
Beverages	(17.3)	30.8	0.9	5.6	7.9	13.2
Tobacco Products	19.5	25.4	(37.8)	0.2	(0.4)	1.9
Textile & Wearing Apparel	1.1	(9.1)	5.7	0.1	(2.0)	(1.4)
Leather Products	32.6	18.3	(21.7)	6.4	7.4	7.1
Wood Products	(3.7)	(3.1)	13.6	2.9	1.3	3.1
Paper Products	8.5	(2.6)	12.0	(0.3)	(1.8)	(1.9)
Printing	1.1	(16.1)	(3.1)	7.7	9.0	8.2
Refined Petroleum Products	(3.0)	(5.8)	10.9	(0.3)	(3.3)	(0.3)
Chemicals & Chemical Products	(6.6)	(5.8)	15.0	4.3	1.1	(0.4)
Rubber Products	(27.3)	28.6	11.9	5.6	(0.1)	(0.8)
Plastic Products	(8.4)	(1.5)	46.3	4.9	0.8	(0.7)
Non-Metallic Mineral Products	(1.7)	(3.6)	2.7	2.1	2.8	(0.2)
Basic Metals	(14.8)	23.6	0.4	2.5	5.7	6.4
Fabricated Metal Products	6.9	(2.3)	(5.2)	5.0	3.6	4.8
Machinery & Equipment	42.9	(22.5)	6.1	5.8	6.8	8.5
Computers & Peripheral Equipment	(15.4)	1.0	31.6	10.1	5.1	4.0
Electrical Equipment	(7.8)	18.7	(21.3)	4.4	4.9	8.5

Electronic Compo & Boards, Com Equip and Elect	13.6	(10.5)	5.4	8.3	8.2	9.1
Medical, Precision & Optical, Watches & Clocks	(40.9)	33.3	11.0	6.4	3.0	5.5
Motor Vehicles & Transport Equipment	(30.6)	34.7	(17.8)	(10.3)	(3.1)	0.5
Furniture	27.0	3.2	(31.1)	2.7	6.7	9.0
Other Mfg and Repair & Installation and Equipment	(22.2)	0.2	36.9	5.9	4.8	4.3
Construction	**2.2**	**1.9**	**8.2**	**14.2**	**12.1**	**11.8**
Residential	(3.5)	1.8	10.3	16.6	12.2	12.0
Non-Residential	(8.8)	3.4	7.1	21.4	17.0	11.3
Civil Engineering	13.1	(5.1)	13.3	5.2	9.4	13.3
Special Trades	7.2	8.1	3.0	17.2	10.6	10.5
Services	**(3.4)**	**1.1**	**4.2**	**5.0**	**5.1**	**5.0**
Electricity & Gas	(4.9)	5.7	1.5	(1.7)	1.0	2.0
Water, Sewerage and Waste Management	(3.0)	2.6	4.3	0.7	1.7	3.5
Wholesale Trade	(11.1)	6.0	12.6	5.4	6.1	6.0
Retail Trade	(5.1)	(2.2)	1.6	5.2	3.8	4.3
Motor Vehicles	(20.0)	4.3	28.5	(3.7)	0.1	2.4
Food & Beverage	2.0	1.2	2.5	5.8	7.2	8.1
Accommodation	1.6	2.7	3.6	14.2	14.5	13.8
Transportation & Storage	1.3	1.8	1.6	9.5	8.6	7.8
ICT	0.8	0.7	1.7	3.6	3.5	3.9
Finance	0.2	1.2	(1.3)	1.4	1.1	(1.9)
Insurance	13.6	(11.0)	(4.2)	6.3	2.3	(2.3)
Real Estate	0.5	0.8	4.8	12.4	9.9	6.9
Business Services	2.0	2.2	1.6	7.7	8.0	8.1
Private Health	0.3	1.8	3.1	7.6	8.9	8.9
Private Education	0.4	1.5	2.1	4.2	5.0	5.5
Other Services	1.5	0.3	3.5	4.0	4.8	6.1
Govt. Services	(7.4)	0.8	5.4	5.9	6.4	7.0
Import Duties	**(10.9)**	**15.6**	**12.9**	**5.0**	**16.9**	**15.8**

Source: DOSM, Macrobond, MBSBR

Other economies experienced more moderate growth in 3Q

Economic growth across economies was generally sustained in 3QCY25, with several countries recording more moderate economic growth. Among the advanced economies, the UK economy grew slightly slower at +1.3%yoy (2QCY25: +1.4%yoy) as the cyber-attack on Jaguar Land Rover hit the manufacturing activity and related supply chain activities. Euro area also reported slight moderation to +1.3%yoy (3QCY25: +1.5%yoy), reflecting moderate growth in Spain and the Netherlands, while Italy and Germany recorded stable but relatively slow expansion of +0.4%yoy and +0.3%yoy, respectively. Among the East Asian economies, South Korea recorded stronger GDP growth at +1.7%yoy (2QCY25: +0.6%yoy) on the back of stronger exports and private consumption. Taiwan's economy still grew robustly albeit moderating slightly to +7.6%yoy (2QCY25: +8.0%yoy), with exports which surged by +30.6%yoy, still underpinned by demand for AI and semiconductor. Unlike Malaysia, economic growth in neighboring ASEAN countries namely Singapore, the Philippines and to certain Indonesia were relatively more moderate. The sharp moderation in Singapore was attributable to the effect of US high tariffs and restrictions on pharmaceuticals and electronics, resulting in broadly flat growth in the manufacturing sector. In the Philippines, the weaker growth was due to slower spending by the government and households, while fixed investment was nearly flat as series of typhoons affected public spending.

Table 3: GDP Growth by Selected Economies (YoY%)

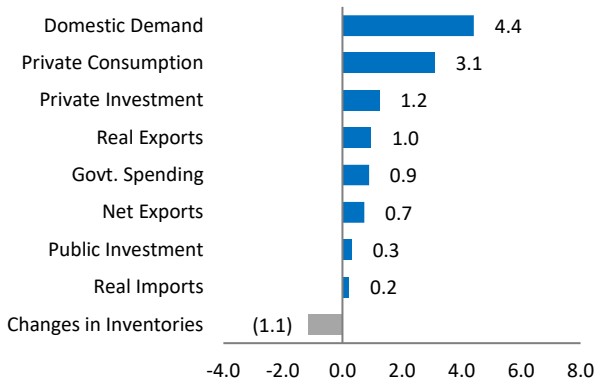
	1Q24	2Q24	3Q24	4Q24	1Q25	2Q25	3Q25
Malaysia	4.2	5.9	5.4	4.9	4.4	4.4	5.2
Indonesia	5.1	5.0	4.9	5.0	4.9	5.1	5.0
Philippines	5.9	6.4	5.2	5.3	5.4	5.5	4.0
Thailand	1.7	2.3	3.0	3.3	3.2	2.8	n.a.
Singapore	3.2	3.4	5.7	5.0	4.1	4.5	2.9
China	5.3	4.7	4.6	5.4	5.4	5.2	4.8
Taiwan	6.6	4.9	4.2	3.8	5.5	8.0	7.6
South Korea	3.3	2.3	1.5	1.2	0.0	0.6	1.7
Japan	(0.8)	(0.7)	0.8	1.2	1.8	1.2	n.a.
UK	0.3	0.9	1.4	1.9	1.8	1.4	1.3.
Euro area	0.5	0.5	0.9	1.3	1.6	1.5	1.3
US	2.9	3.0	2.8	2.4	2.0	2.1	n.a.
QoQ%, annualized	*0.8*	*3.6*	*3.3*	*1.9*	*(0.6)*	*3.8*	*n.a.*

Source: DOSM, Macrobond, MBSBR

Revise our 2025 GDP growth forecast higher to +4.6%

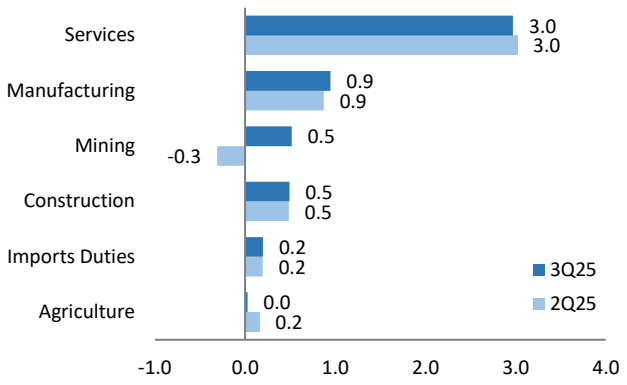
We revise our GDP growth forecast for 2025 higher to +4.6% (previous: +4.3%), taking into account the strong growth in 3QCY25 and less significant impacts of tighter US trade rules on external trade and production activities. Apart from the recovery in mining output, Malaysia continues to benefit from the global tech upcycle. Going into 2026, we expect the resilience in domestic demand will continue to drive Malaysia's economic growth, backed by healthy labour market and stable inflation. Nevertheless, as a highly open economy, Malaysia's growth outlook could be weighed down by external uncertainties such as changing trade rules, re-escalation of trade and geopolitical tensions. As a result, Malaysia's trade outlook could still be constrained by the effect of higher US tariffs on final demand and risk of weaker external demand from major markets.

Chart 1: Contribution by Expenditure Components to 3QCY25 GDP Growth (%-point)



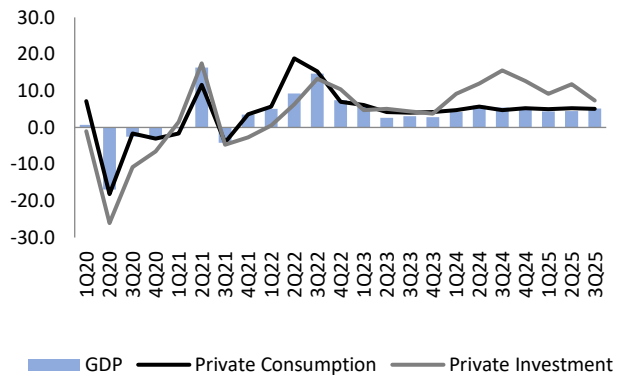
Source: Macrobond, MBSBR

Chart 2: Contribution by Supply-Side Components to 3QCY25 GDP Growth (%-point)



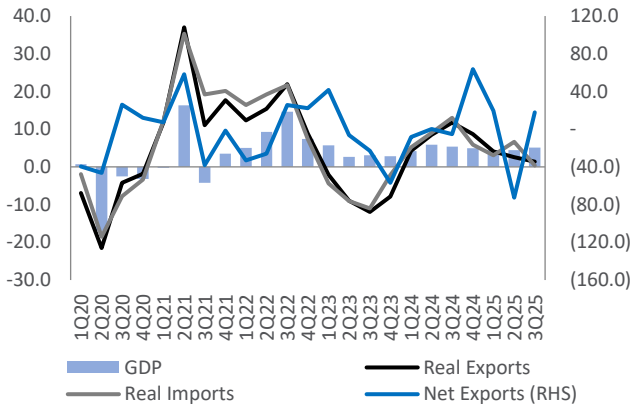
Source: Macrobond, MBSBR

Chart 3: GDP vs Private Sector (YoY%)



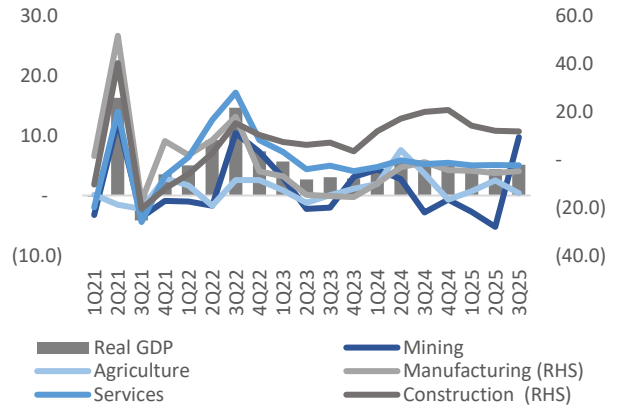
Source: Macrobond, MBSBR

Chart 4: GDP vs External Trade (YoY%)



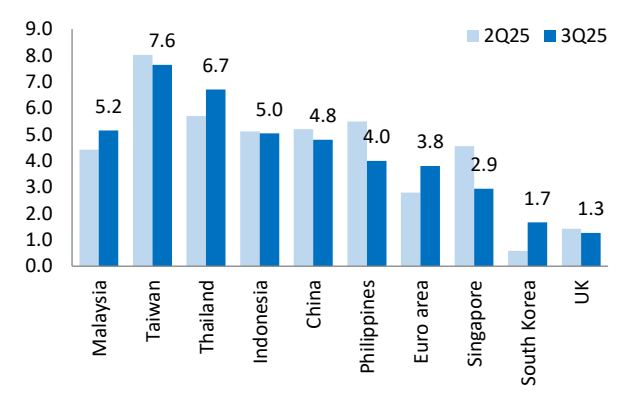
Source: Macrobond, MBSBR

Chart 5: GDP by Supply-Side (YoY%)



Source: Macrobond, MBSBR

Chart 6: GDP Growth for Selected Countries (YoY%)



Source: Macrobond, MBSBR

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