Malaysia's GDP Grew Stronger than Expected at +5.7%yoy in 4QCY25

Economic Review
Advance 4QCY25 GDP



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Economic Review

- Based on the advance estimate, Malaysia's GDP growth accelerated strongly to +5.7%yoy in the 4QCY25 (3QCY25: +5.2%yoy), above our estimate and market expectations. The robust growth was supported mainly by faster expansion in services, manufacturing and agriculture sectors.
- On a quarter-on-quarter basis, Malaysia's GDP continued to albeit decelerating to +3.0%qoq in the 4QCY25 (3QCY25: +5.4%qoq), with broad-based moderation and slowdown across all the sub-sectors.
- For the full year of 2025, Malaysia recorded GDP growth of +4.9%, higher than our forecast of +4.6% and a slight easing from +5.1% last year. The sustained growth defies concerns about the adverse impacts on external trade and manufacturing output due to the higher tariffs imposed by the US.
- For now, we maintain our GDP growth forecast at +4.3% for 2026, with domestic demand to remain as the key driver of growth. We are still cautious that trade outlook could still be hit by tighter trade rules, with the US planning to broaden tariffs to the semiconductor industry.

GDP grew at the fastest pace in the final quarter

Based on the advance estimate, Malaysia's GDP growth accelerated strongly to +5.7%yoy in the 4QCY25 (3QCY25: +5.2%yoy). The growth was stronger than expected, and above our estimate (+5.0%yoy) and market consensus (5.4%yoy). The acceleration was largely driven by the higher growth in the services (+5.4%yoy; 3QCY25: +5.0%yoy) and manufacturing (+6.0%yoy; 3QCY25: +4.1%yoy) sectors. The agriculture sector growth even spiked to +5.1%yoy (3QCY25: +0.4%yoy), the fastest growth since 2QCY24. Meanwhile, the growth in the construction sector was sustained at +11.9%yoy (3QCY25: +11.8%yoy), maintaining double-digit growth for the 8th straight quarter. On the other hand, the mining sector growth moderated to +1.1%yoy (3QCY25: +9.7%yoy), still growing for the second consecutive quarter.

Services and manufacturing sectors grew the fastest in 4QCY25

The services sector continued to grow above +5.0% during the quarter (+5.4%yoy; 3QCY25: +5.0%yoy), marking the strongest growth in 4 quarters The sustained expansion was underpinned by robust performance across the wholesale & retail trade, transportation & storage, food & beverages, and accommodation sectors. Meanwhile, the manufacturing sector expanded strongly at +6.0%yoy (3QCY25: +4.1%yoy), marking the eighth consecutive quarter of growth and the highest level since 3QCY22. The expansion is underpinned by increased output of electrical, electronic & optical products, vegetable and animal oils & fats, food processing products, and non-metallic mineral products, and basic metal & fabricated metal products.

Pick-up in agriculture sector and sustained double-digit growth in construction sector

On the other hand, the mining and quarrying sector growth moderated to +1.1%yoy (3QCY25: +9.7%yoy), reversing the strong gains recorded in the 3QCY25 after experiencing contraction in the first 2 quarters of 2025. The slower growth was due to moderate expansion in the crude oil & condensate sub-sector, in contrast to contraction in the natural gas sub-sector. Meanwhile, the construction sector continued to post double-digit growth of +11.9%yoy (3QCY25: +11.8%yoy), as the growth was supported by the better performance in non-residential buildings and specialised construction activities. The agriculture sector grew

significantly higher by +5.1%yoy (3QCY25: +0.4%yoy), mainly driven by rebound in the oil palm sector and the improvement in the livestock and other agriculture sub-sectors.

Quarterly GDP moderated to +3.0%qoq

On a quarter-on-quarter basis, Malaysia's GDP continued to albeit decelerating to +3.0%qoq in the 4QCY25 (3QCY25: +5.4%qoq). This was due to the broad-based moderation and slowdown recorded across all the sub-sectors. The services sector growth slowed to +3.6%qoq (3QCY25: +4.2%qoq), while the manufacturing sector expanded slower at +3.8%qoq (4QCY25: +4.7%qoq). The mining & quarrying growth also eased lower to +8.1%qoq (3QCY25: +8.6%qoq). On the other hand, the construction and the agriculture sectors turned negative, declining by -0.8%qoq (3QCY25: +8.6%qoq) and -7.5%qoq (3QCY25: +13.2%qoq), respectively.

Domestic demand remains the pillar for growth

We believe domestic spending continued to be well supported as reflected by the more robust expansion in the services sector in the final quarter of 2025. The latest data shows Malaysia's retail trade continued to grow above +6% since Sep25, averaging +6.7% in the 3-month period to Nov-25, on the back of a healthy labour market and still mild inflation. Evidence suggests that consumer spending remains resilient despite the dampening effects of the SST expansion on consumer sentiment. The broadened tax scope may have contributed to higher retail prices, but the impact on consumption activity has been largely mitigated by stable employment growth. Investment activity also maintained its upward trajectory, underpinned by the sustained expansion in the construction sector and the rollout of early 13MP projects.

Trade of goods may weigh down on growth in 4QCY25

Despite the resilient external trade performance in final few months of 2025, we estimate net exports of goods to contribute negatively to Malaysia's GDP growth in 4QCY25. As of Nov-25, net exports recorded a slightly lower surplus of +RM26.5b in the 2 months to Nov-25, about +1% lower than +RM26.8b in the same period in 2024. The relatively lower trade surplus was attributable to faster rise in imports (+12.8%yoy) vis-à-vis exports (+11.4%yoy). We foresee the strong imports (surpassing exports) continuing in Dec-25. Based on this, we believe the stronger growth in domestic economic activities helped to cushion the downward drag from stronger imports. On another note, exports of services could still contribute positive as Malaysia received more foreign tourists, also contributing to higher domestic spending activity.

Full-year GDP grew by +4.9% in 2025

For the full year of 2025, Malaysia recorded GDP growth of +4.9%, higher than our forecast of +4.6% and a slight easing from +5.1% last year. The sustained growth defies concerns about the adverse impacts on external trade and manufacturing output due to the higher tariffs imposed by the US. The manufacturing sector grew by +4.5%, slightly faster than +4.2% last year, as Malaysia's continued to benefit from increased foreign demand (among others E&E products; machinery & equipment, and optical & scientific equipment) and to fulfill demand for domestic consumption. On the back of robust domestic consumption, services sector only experienced a slight moderation to +5.1% (2024: +5.3%). Meanwhile, construction sector continued to register double-digit growth of +12.4%, albeit moderating from +17.5% in 2024, following progress in multi-year infrastructure projects. Agriculture sector continued to grow at +2.2% (2024: +3.1%) supported mainly by higher production in the plantation sector. The mining sector growth moderated to +0.5% (2024: +0.9%), driven by increased LNG production which more than offset the weakness in crude oil output.

GDP to grow at +4.3% this year

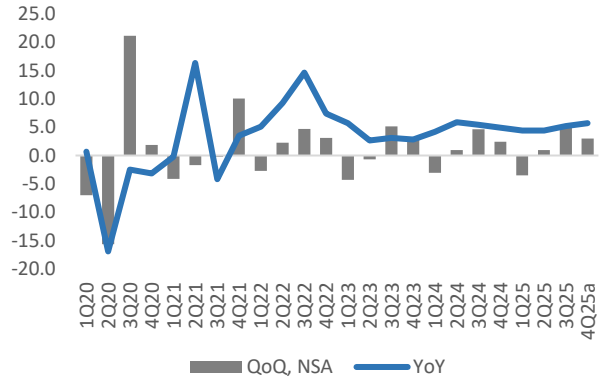
For now, we maintain our GDP growth forecast at +4.3% for 2026, with domestic demand to remain as the key driver of growth. Domestic consumption will continue to grow, backed by healthy labour market, further support from the government (i.e. cash transfers) and potentially higher tourist spending in conjunction with the Visit Malaysia Year 2026. On the external trade, while we expect Malaysia will continue to gain from higher demand for E&E products and commodities, we are still cautious that trade outlook could still be hit by tighter trade rules, with the US planning to broaden tariffs to the semiconductor industry.

Table 1: Summary of GDP by Major Sectors

	Quarterly Basis (QoQ %)*				Yearly Basis (YoY %)					
	1Q25	2Q25	3Q25	4Q25[a]	1Q25	2Q25	3Q25	4Q25[a]	2024	2025[a]
GDP	**(3.5)**	**1.0**	**5.4**	**3.0**	**4.4**	**4.4**	**5.2**	**5.7**	**5.1**	**4.9**
Agriculture	(7.6)	8.6	13.2	(7.5)	0.7	2.5	0.4	5.1	3.1	2.2
Mining & Quarrying	(2.5)	(11.6)	8.6	8.1	(2.7)	(5.2)	9.7	1.1	0.9	0.5
Manufacturing	(3.7)	1.3	4.7	3.8	4.1	3.7	4.1	6.0	4.2	4.5
Construction	2.2	1.9	8.2	(0.8)	14.2	12.1	11.8	11.9	17.5	12.4
Services	(3.4)	1.1	4.2	3.6	5.0	5.1	5.0	5.4	5.3	5.1

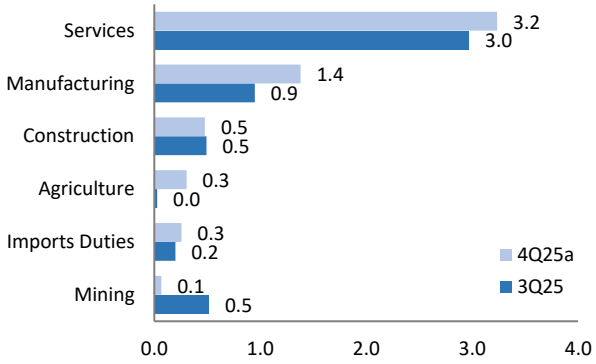
* Non-seasonally adjusted [a] Advance estimate
Source: Macrobond, MBSBR

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



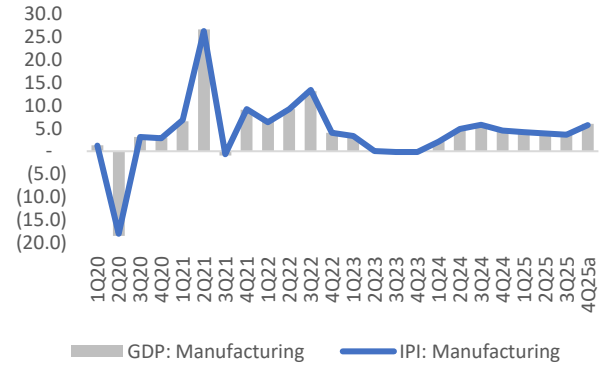
a Advance estimate
Source: Macrobond, MBSBR

Chart 2: Contribution to 4QCY25 GDP Growth by Major Sector (%-point)



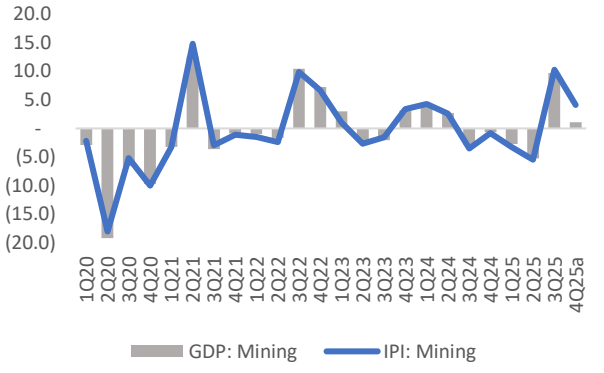
a Advance estimate
Source: Macrobond, MBSBR

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



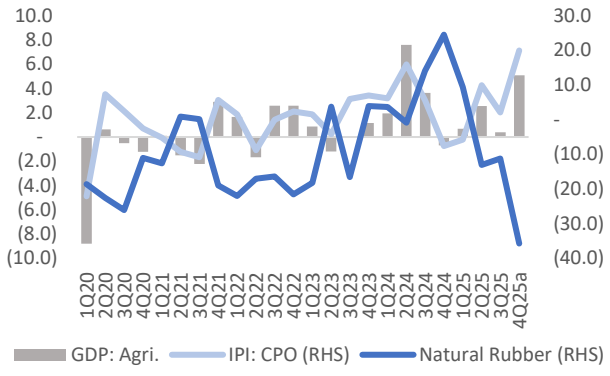
a Advance estimate
Source: Macrobond, MBSBR

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



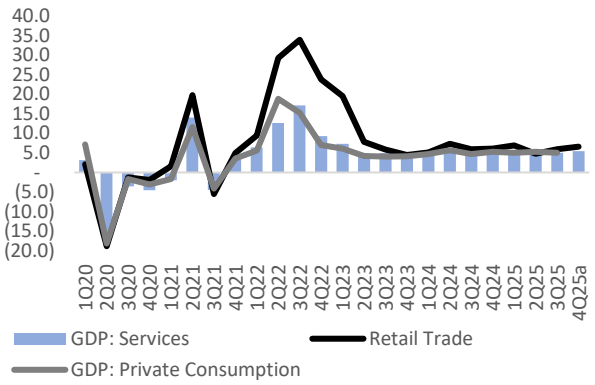
a Advance estimate
Source: Macrobond, MBSBR

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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