4Q25 GDP Growth May Exceed Advance Estimate of +5.7%yoy

Economic Review: 4QCY25 National Account Preview



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Economic Review

- Recent economic data indicates Malaysia's domestic demand remained resilient and anchored to the stronger GDP growth in the 4QCY25. Domestic spending continued its upward trajectory, bolstered by positive labour market conditions and government cash transfers.
- In 4QCY25, external trade picked up, but we anticipate its contribution to the overall economic growth likely to be smaller as imports outpaced exports during the quarter. Net exports of goods slipped marginally by -0.6%yoy, reflecting a narrower surplus of +RM45.8b (3QCY24: +RM46.0b; 3QCY25: +RM50.6b).
- Analysing the recent supply-side indicators, we estimate the services sector could register growth stronger than the advance estimate of +5.4%yoy. We noticed the pace of growth in the volume index for the services sector strengthened to +6.5%yoy in 4QCY25 (3QCY25: +5.5%yoy).
- We estimate the full-quarter GDP growth in 4QCY25 will be around +5.9%yoy (3QCY25: +5.2%yoy). This slight upward revision from the advance estimate of +5.7%yoy will mainly reflect the higher growth stemming from stronger domestic spending and investment activities; in addition to the faster expansion in the manufacturing agriculture sectors.

Stronger domestic demand driving economic growth in 4Q

Recent economic data indicates Malaysia's domestic demand remained resilient and anchored to the stronger GDP growth in the 4QCY25. Domestic spending continued its upward trajectory, bolstered by positive labour market conditions and government cash transfers. This expansion was further supported by manageable inflationary pressures and the upturn in tourist arrivals (and spending). We expect the full-quarter data will show encouraging rise in private consumption in 4QCY25, based on the stronger retail trade which grew by +7.1%yoy (3QCY25: +5.5%yoy). More people secured jobs, as total employment grew by +3.3%yoy (3QCY25: +3.3%yoy) and continued to surpass the labour force growth. As a result, the number of unemployed people dropped by -3.9%yoy (3QCY26: -3.9%yoy). With the total unemployment falling to post-pandemic low of 518K, the unemployment rate for the quarter also eased to 2.9% (3QCY25: 3.0%), the lowest in 10 years. Inflation remained manageable despite some pickup in the quarter averaging at +1.4%yoy (3QCY25: +1.4%yoy), on the back of the acceleration to 1.6% in Dec-25. The underlying demand pressure remained stable and under control, although the core CPI quickened to +2.2%yoy (3QCY25: +2.0%yoy).

Net exports ease as import growth outpaces exports

In 4QCY25, external trade picked up, but we anticipate its contribution to the overall economic growth, likely to be smaller as imports outpaced exports during the quarter. Net exports of goods slipped marginally by -0.6%yoy, reflecting a narrower surplus of +RM45.8b (3QCY24: +RM46.0b; 3QCY25: +RM50.6b). The decline was driven by a sharp rebound in imports, which expanded by +12.6%yoy (3QCY25: +0.4%yoy). Although export growth at +11.0%yoy (3QCY25: +6.8%yoy) remained relatively strong by historical standards, the pace of expansion still lagged imports. The improvement in goods exports was led by rebound in domestic exports to +4.6%yoy (3QCY25: -0.9%yoy) after two consecutive quarters of decline and sustained double-digit rise in re-exports (+37.0%yoy; 3QCY25: +37.2%yoy). By major product group, export

growth was supported by higher E&E shipments at +22.5%yoy (3QCY25: +17.5%yoy) and a slower contraction in mining goods at -0.4%yoy (3QCY25: -1.1%), aided by a triple-digit surge in metalliferous ores and metal scrap (+137.0%yoy) and a milder drop in crude petroleum (-6.5%yoy). On the import side, growth was driven by a rebound in consumption goods (+10.2%yoy; 3QCY25: -3.4%yoy) and a double-digit growth in capital goods (+27.5%yoy; 3QCY25: +13.3%yoy). Overall, the strong performance of re-exports relative to domestic exports suggests front-loading activity ahead of tighter US tariff measures, rather than a broad-based improvement in domestic production. On another note, we could see positive impact from higher tourism activities supporting higher exports of services, particularly travel services. On that note, further improvement in services trade could minimize the drag from goods trade.

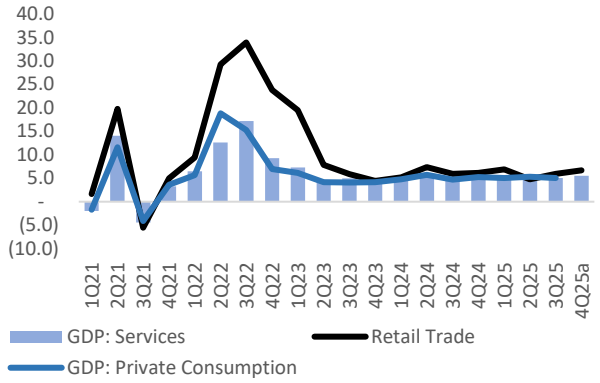
Moderation in services activities, but more encouraging manufacturing sector growth

Analysing the recent supply-side indicators, we estimate the services sector could register growth stronger than the advance estimate of +5.4%yoy. We noticed the pace of growth in the volume index for the services sector strengthened to +6.5%yoy in 4QCY25 (3QCY25: +5.5%yoy), underpinned by stronger expansion in most of the sub-sectors except arts, entertainment, recreation and personal services; private education and professional and administrative & support services. For the manufacturing sector, we expect the growth to be similar to +6.0%yoy as in advance estimate. In contrast, the 4Q growth for construction and mining industries could be more moderate than advance estimates, as indicated by the slower rise in construction work done in 4QCY25 and weaker natural gas production in Dec-25. 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 4Q GDP growth marginally higher than the advance estimate

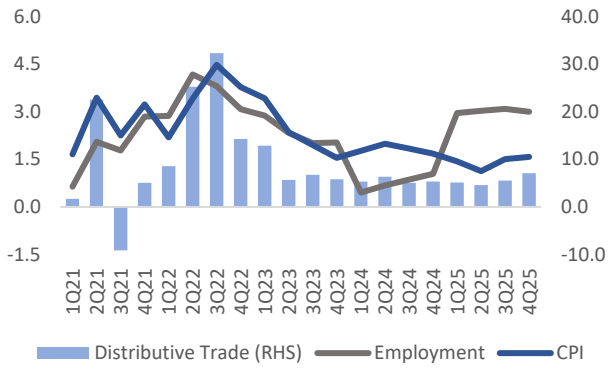
We estimate the full-quarter GDP growth in 4QCY25 will be around +5.9%yoy (3QCY25: +5.2%yoy). This slight upward revision from the advance estimate of +5.7%yoy will mainly reflect the higher growth stemming from stronger domestic spending and investment activities; in addition to the faster expansion in the manufacturing agriculture sectors. Meanwhile, despite the more encouraging external trade performance, as shown by the sustained growth in goods exports on the back of front-loading activities and reduced uncertainties after the trade negotiations with the US, the stronger imports will likely limit the positive contribution to growth. Moreover, the potential upside boost is also limited by the more moderate growth in the construction activities and mining output. In the short run, we expect GDP growth will be relatively more moderate going into 2026 due to high base effect and fading front-loading activities. We maintain a cautious outlook as sentiment and activities could be affected by heightened geopolitical risks, while potential trade barriers pose a significant threat to the stability of global trade and supply chain activities.

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



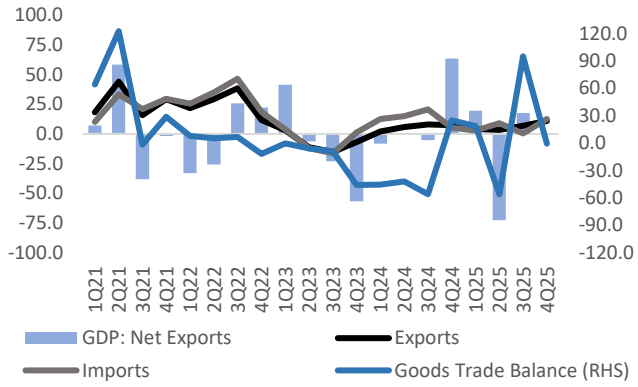
Note: Services GDP for 4QCY25 refers to advance estimate
Source: Macrobond, MBSBR

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



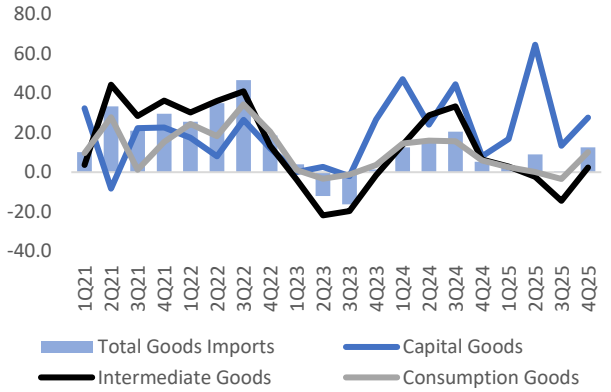
Source: Macrobond, MBSBR

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



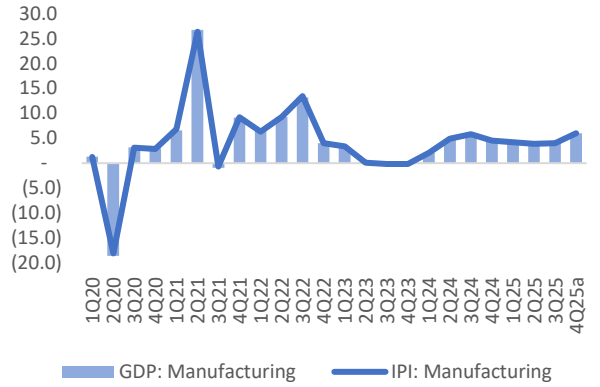
Source: Macrobond, MBSBR

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



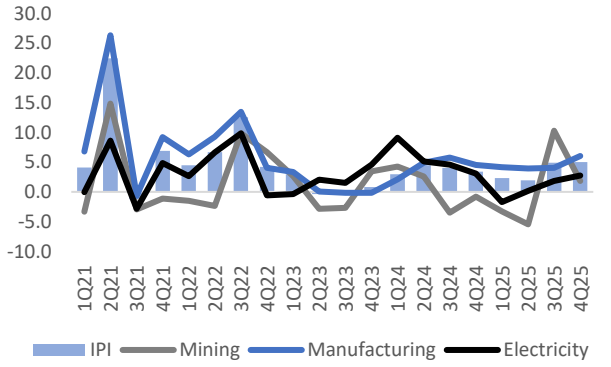
Source: Macrobond, MATRADE, MBSBR

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



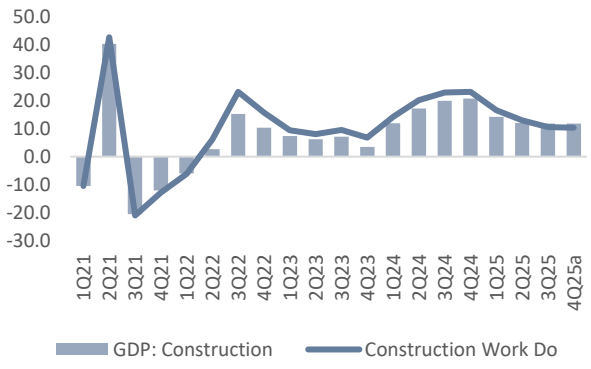
Note: Manufacturing GDP for 4QCY25 refers to advance estimate
Source: DOSM, MBSBR

Chart 6: IPI by Major Sector (YoY%)



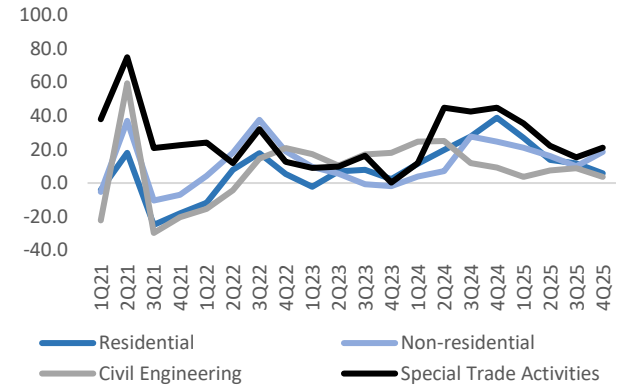
Source: DOSM, MBSBR

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



Note: Construction GDP for 4QCY25 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	3Q24	4Q24	1Q25	2Q25	3Q25	4Q25
Distributive Trade (DT)	5.1	5.3	5.2	4.6	5.5	7.1
DT: Wholesale Trade	4.3	5.0	5.5	5.1	5.8	6.7
DT: Retail Trade	5.9	6.1	6.8	5.0	5.9	6.7
DT: Motor Vehicles	5.0	3.7	(1.7)	1.4	3.3	9.5
IPI	4.1	3.4	2.3	2.0	4.9	5.0
IPI: Mining	(3.5)	(0.8)	(3.3)	(5.5)	10.3	1.8
IPI: Manufacturing	5.8	4.5	4.2	3.9	4.0	6.0
IPI: Electricity	4.6	3.1	(1.7)	0.2	1.9	2.7
Manufacturing Sales	6.6	4.4	4.0	3.4	3.5	5.8
Construction Work Done	22.9	23.1	16.6	12.9	10.6	10.3
Gross Exports of Goods	7.8	7.3	4.3	3.3	6.8	11.0
Domestic Exports	12.2	8.8	4.6	(0.9)	(0.3)	4.6
Re-Exports	(7.5)	1.5	3.1	21.2	37.2	37.0
Gross Imports of Goods	20.5	5.3	2.8	9.0	0.4	12.6
Trade Balance (RM Billion)	26.0	46.0	41.0	14.3	50.7	45.8
Employment	1.3	1.3	3.0	2.9	3.1	3.3
Unemployment	(5.6)	(4.7)	(5.0)	(4.4)	(3.9)	(3.9)
Unemployment Rate (%)	3.2	3.2	3.1	3.0	3.0	2.9
Headline CPI Inflation	1.9	1.8	1.5	1.3	1.3	1.4
Core CPI Inflation	1.9	1.7	1.9	1.8	2.0	2.2
USDMYR, Average	4.46	4.40	4.45	4.31	4.22	4.15
USDMYR, End-period	4.12	4.47	4.44	4.21	4.21	4.06
Brent Oil (USD per barrel), Average	78.71	74.01	74.97	66.73	68.17	63.06
CPO (RM per tonne), Average	3,989	4,840	4,724	4,056	4,271	4,182

Source: Macrobond, Bloomberg, MBSBR

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