4QCY25 Growth Accelerates to +6.3%YoY on Strong Domestic Demand

Economic Review
4QCY25 GDP



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Economic Review

- Malaysia's GDP growth increased at a faster pace by +6.3%yoy in 4QCY25 (3QCY25: +5.4%yoy), significantly higher than the advance estimate (+5.7%yoy) and market consensus (+5.7%yoy). The full-quarter growth was also higher than our expectation of +5.9%yoy as estimated stronger contributions from higher services activities and domestic spending.
- For the full year, Malaysia's economy expanded slightly faster at +5.2% in 2025 (2024: +5.1%), well above the government's forecast range of +4.0% to +4.8%. The sustained growth last year was mainly attributable to strong contribution from domestic demand (+6.0ppts), on the back of increased final consumption spending and investment activities.
- On the supply side, services growth strengthened to +6.3%yoy (3QCY25: +5.5%yoy). Construction sector moderated further by +11.0%yoy (3QCY25: +11.8%yoy), while manufacturing expanded faster at +6.1%yoy (3QCY25: +4.1%yoy). Agriculture output rose by +5.4%yoy (3QCY25: +0.1%yoy), whereas mining moderated to +2.0%yoy (2QCY25: +9.7%yoy).
- We revise our GDP growth forecast for 2026 higher to +4.6% (previous: +4.3%), taking into account the strong growth in 4QCY25, the more robust domestic economic activities and less significant impacts of tighter US trade rules on external trade and production activities.

GDP expanded stronger than expected at +6.3%yoy in 4QCY25

Malaysia's GDP growth increased at a faster pace by +6.3%yoy in 4QCY25 (3QCY25: +5.4%yoy), significantly higher than the advance estimate (+5.7%yoy) and market consensus (+5.7%yoy). The full-quarter growth was also higher than our expectation of +5.9%yoy as estimated stronger contributions from higher services activities and domestic spending. During the quarter, domestic demand remained the key driver, as it grew faster by +9.0%yoy (3QCY25: +4.9%yoy). Growth was supported by the steady rise in both private consumption (+5.3%yoy; 3QCY25: +5.0%yoy) and government consumption (+8.0%yoy; 3QCY25: +7.1%yoy). Gross fixed capital investment also recorded more robust growth of +9.3%yoy (3QCY25: +7.4%yoy) with stronger growth seen in investment by both private (+9.2%yoy; 3QCY25: +7.3%yoy) and public (+9.5%yoy; 3QCY25: +7.4%yoy) sectors.

Full-year growth at +5.2% exceeded official forecast

For the full year, Malaysia's economy expanded slightly faster at +5.2% in 2025 (2024: +5.1%), well above the government's forecast range of +4.0% to +4.8%. The sustained growth last year was mainly attributable to strong contribution from domestic demand (+6.0ppts), on the back of increased final consumption spending and investment activities. Real exports also contributed positively (+2.1ppts), defying concerns about higher US tariffs affecting external trade activities. Net exports, however, contributed negatively (-0.8ppts) due to the drag from imports (-2.9ppts). Looking ahead, Malaysia's economy is expected to continue in 2026, supported by resilient domestic demand and exports; bolstered by resilient domestic spending and positive labour market conditions. On top of that, the exports of E&E products are expected to remain resilient, supported by the demand stemming from the ongoing global tech upcycle.

Domestic demand continued to anchor growth in 4QCY25

The sustained rise in domestic economic activities remained a key factor to anchor Malaysia's economic growth above +6.0% in 4QCY25. Excluding net exports, the economy could have grown by more than +8.0%yoy given the stronger contribution from domestic demand (+8.6ppts). Meanwhile, real exports contributed +2.7ppts to the 4Q GDP growth, but the net exports due to relatively strong imports (-4.9ppts). We maintain our expectation for sustained growth in investment activity, bolstered by the steady progression of multi-year projects and the strategic rollout of catalytic initiatives under national master plans. This outlook is further supported by the accelerated realisation of previously approved investments. However, sustained growth in domestic demand is expected to remain the primary engine of Malaysia's economic expansion. This internal resilience will serve as a critical buffer against external headwinds, including the moderation of global trade and elevated 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. We take note that the trade outlook remains challenging, as the threat of sector-specific tariffs on semiconductors could pose another downside risk to Malaysia's activities, which could potentially hurt the semiconductor industry and weigh on Malaysia's economic prospects.

Sequential growth moderated, except for the mining sector

On the quarter-on-quarter basis, Malaysia's GDP grew slower of +3.3%qoq in the 4QCY25 (3QCY25: +5.7%qoq). Most sectors recorded sequential decline except for mining, which picked up to +9.0%qoq (3QCY25: +8.6%qoq), and continued to expand for the second quarter. The easing was attributable to the softening of the manufacturing (+3.7%qoq; 3QCY25: +3.8%qoq), and the services sector (+4.0%qoq; 3QCY25: +4.7%qoq). Meanwhile, sectors that contracted in the 4QCY25 were agriculture, forestry & fishing (-6.9%qoq; 3QCY25: -6.9%qoq) and construction (-1.5%qoq; 3QCY25: +8.2%qoq). On the demand side, there were contractions in both private consumption and investment, but the public sector saw strong growth. The domestic demand picked up to +5.6%qoq (3QCY25: +1.6%qoq), while private consumption turned negative to -2.5%qoq (3QCY25: +6.0%qoq), but the government consumption picked up strongly by +25.5%qoq (3QCY25: +11.3%qoq). Meanwhile, private investment contracted further to -17.0%qoq (3QCY25: -7.5%qoq), while public investment spiked to +68.0%qoq (3QCY25: +14.1%qoq). Finally, real exports moderated to +1.6%qoq (3QCY25: +5.4%qoq), while real imports expanded by +5.1%qoq (3QCY25: -0.6%qoq). Based on seasonally adjusted data, the quarterly GDP growth was stronger at +1.3%qoq (3QCY25: +0.5%qoq), mainly affected by the stronger rebound in imports offsetting some of the stronger momentum in domestic economic spending and investment activities.

Net exports contributed negatively in 4Q

Net exports contributed negatively (-2.3ppt) to 4QCY25 GDP growth, as real trade balance fell by -45.8%yoy (3QCY25: +18.7%yoy) compared to 4Q in the previous year. Real exports expanded stronger by +3.9%yoy (3QCY25: +1.7%yoy), driven by higher expansion in shipments of goods particularly with the encouraging demand for E&E products, optical & scientific equipment, and palm oil manufactured products. Services exports also picked up, to a certain extent reflecting the positive impacts from growing tourism activity. In contrast, the rise in imports was relatively sharper at +7.9%yoy (3QCY25: +0.7%yoy), in line with the stronger domestic demand. Firms also increased purchases to fulfill demand, which reportedly improved as uncertainties eased after trade negotiations. Going forward, we are still cautious that strong imports, particularly for capital goods, would keep the goods trade surplus subdued. In addition to tariffs imposed by the US, softer external demand poses downside risks to the export outlook. On balance, this could keep net exports from a drag on growth for another year.

Current account surplus narrows in 4QCY25 but improves for full year 2025

In 4QCY25, Malaysia's current account surplus narrowed to +RM2.0b (3QCY25: +RM12.0b), attributable to the lower trade surplus and higher deficits in secondary income balance. Similarly, the overall goods and services surplus narrowed to +RM28.7b (2QCY25: RM13.7b), driven by lower goods surplus of +RM23.6b (3QCY25: +RM31.8b). However, services surplus expanded to +RM0.5b (3QCY25: +RM2.8b), supported by stronger travel receipts, reflecting vibrant tourism activities ahead of Visit Malaysia Year 2026. In terms of the income account, the deficit in the primary account narrowed further to -RM23.5b (3QCY25: -RM19.9b). Similarly, the deficit in secondary income account narrowed to -RM3.1b (3QCY25: -RM1.8b).

The current account surplus moderated to 0.4% of GDP (3QCY25: 2.5%). For the full year of 2025, Malaysia's current account surplus widened to RM31.8b (2024: RM27.7b), supported by a turnaround in the services account to a RM1.1b surplus (2024: -RM11.6b), mainly due to stronger travel-related receipts. As a result, the current account surplus rose to +1.6% of GDP (2024: +1.4%). However, with persistent income account deficits, the overall surplus is expected to remain modest and likely below +2.0% of GDP this year.

Table 1: Summary of GDP by Expenditure Approach

	Quarterly Basis (QoQ %)				Yearly Basis (YoY %)					
	1Q25	2Q25	3Q25	4Q25	1Q25	2Q25	3Q25	4Q25	2024	2025
GDP	(3.5)	1.0	5.7	3.3	4.4	4.4	5.4	6.3	5.1	5.2
Domestic Demand	(3.4)	5.1	1.6	5.6	3.7	7.2	4.9	9.0	4.9	6.3
Private Consumption	2.2	(0.9)	6.0	(2.5)	5.0	5.3	5.0	5.3	5.1	5.2
Govt. Consumption	(24.2)	(0.4)	11.3	25.5	4.3	6.4	7.1	8.0	4.7	6.6
Private Investment	26.6	11.3	(7.5)	(17.0)	9.2	11.8	7.3	9.2	12.3	9.4
Public Investment	(37.9)	(10.3)	14.1	68.0	11.6	13.6	7.4	9.5	11.1	10.3
Real Exports	(4.1)	1.2	5.4	1.6	4.1	2.6	1.7	3.9	8.3	3.1
Real Imports	(3.9)	7.5	(0.6)	5.1	3.1	6.6	0.7	7.9	8.2	4.6
Net Exports	(5.9)	(80.7)	437.2	(44.3)	19.6	(72.6)	18.7	(45.8)	9.2	(19.3)

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

Services and manufacturing lead supply-side expansion

On the supply-side:

- **Services**: Growth strengthened to +6.3%yoy (3QCY25: +5.5%yoy), well above the advance estimate of +5.4%yoy. The stronger reading is in line with the expansion in volume index for the services sector at +6.5%yoy (3QCY25: +5.5%yoy). Performance was broad-based across all sub-sectors, led by stronger growth in Wholesale & retail trade (+5.7%; 3QCY25: +4.8%), alongside solid expansion in Information & communication (+8.9%; 3QCY25: +8.5%yoy) and Transportation & storage (+8.7%yoy; 3QCY25: +7.9%yoy).
- **Construction**: The sector moderated further slightly by +11.0%yoy (3QCY25: +11.8%yoy), lower than the advance estimates of +11.9%yoy. Growth was driven by strong expansion in non-residential buildings (+17.6%yoy; 3QCY25: +11.3%yoy) and specialised construction activities (+13.7%yoy; 3QCY25: +10.5%).
- **Manufacturing**: Expanded faster at +6.1%yoy (3QCY25: +4.1%yoy), slightly above the advance estimate of +6.0%yoy. Growth was mainly supported by a stronger expansion in electrical, electronic and optical products (+12.7%yoy; 3QCY25: +8.4%yoy).
- **Agriculture**: Output rose by +5.4%yoy (3QCY25: +0.1%yoy), in line with advance estimates but below our forecast of +1.1%yoy. The sector was supported by a sharp rebound in the palm oil sub-sector (+16.2%yoy; 3QCY25: -0.7%yoy), in line with higher fresh fruit bunch production.
- **Mining**: Moderated to +2.0%yoy (2QCY25: +9.7%yoy), slightly higher than advance estimate of +1.1%yoy. Performance was driven by crude oil and condensate (+6.1%; 3QCY25: +8.3%), while natural gas contracted by -1.0%yoy (3QCY25: +11.6%yoy) due to lower production.

Table 2: Summary of GDP by Supply-Side Approach

	QoQ%			YoY%				
	2Q25	3Q25	4Q25	2Q25	3Q25	4Q25	2024	2025
GDP	**1.0**	**5.7**	**3.3**	**4.4**	**5.4**	**6.3**	**5.1**	**5.2**
Agriculture, Forestry & Fishing	**8.6**	**12.8**	**(6.9)**	**2.5**	**0.1**	**5.4**	**3.1**	**2.2**
Rubber	(27.2)	31.2	(15.8)	(10.6)	(11.1)	(32.0)	10.5	(12.5)
Oil Palm	25.0	15.0	5.2	5.3	(0.7)	16.2	5.1	4.7
Livestock	(2.8)	12.3	(3.4)	1.7	2.2	2.7	3.3	2.3
Other Agriculture	4.3	9.7	(19.2)	2.0	1.5	1.3	1.3	1.7
Forestry & Logging	17.1	4.3	(5.7)	(3.0)	(1.0)	(0.1)	(5.4)	(3.6)
Marine Fishing	(15.9)	23.6	(23.4)	1.0	(0.4)	(8.9)	4.9	0.6
Aquaculture	24.9	3.7	(14.3)	(0.2)	(4.0)	(8.3)	(0.5)	(2.8)
Mining & Quarrying	**(11.6)**	**8.6**	**9.0**	**(5.2)**	**9.7**	**2.0**	**0.9**	**0.7**
Crude Oil	(1.2)	(1.6)	8.9	(1.6)	8.3	6.1	(2.7)	1.8
Natural Gas	(16.2)	12.6	8.2	(8.1)	11.6	(1.0)	3.0	(0.2)
Others	(22.8)	29.9	13.8	(2.9)	5.3	4.6	3.4	2.4
Manufacturing	**1.3**	**4.7**	**3.8**	**3.7**	**4.1**	**6.1**	**4.2**	**4.5**
Vegetable & Animal Oils & Fats	28.9	(0.9)	20.2	15.3	1.1	12.0	5.3	9.9
Food Processing	16.0	9.8	(6.8)	10.0	9.7	8.8	4.7	9.1
Beverages	30.8	0.9	2.1	7.9	13.2	11.4	6.9	9.7
Tobacco Products	25.4	(37.8)	10.2	(0.4)	1.9	2.6	9.9	0.9
Textile & Wearing Apparel	(9.1)	5.7	3.7	(2.0)	(1.4)	0.7	2.0	(0.6)
Leather Products	18.3	(21.7)	(11.8)	7.4	7.1	8.4	5.7	7.3
Wood Products	(3.1)	13.6	(3.4)	1.3	3.1	2.4	3.7	2.4
Paper Products	(2.6)	12.0	(17.8)	(1.8)	(1.9)	(2.6)	2.9	(1.6)
Printing	(16.1)	(3.1)	30.8	9.0	8.2	7.6	8.1	8.1
Refined Petroleum Products	(5.8)	10.9	(3.1)	(3.3)	(0.3)	(1.9)	1.9	(1.4)
Chemicals & Chemical Products	(5.8)	15.0	0.6	1.1	(0.4)	1.8	2.4	1.6
Rubber Products	28.6	11.9	(5.6)	(0.1)	(0.8)	(1.2)	8.5	0.4
Plastic Products	(1.5)	46.3	(25.2)	0.8	(0.7)	(1.3)	5.3	0.7
Non-Metallic Mineral Products	(3.6)	2.7	3.5	2.8	(0.2)	0.7	7.3	1.3
Basic Metals	23.6	0.4	1.4	5.7	6.4	7.3	4.6	5.6
Fabricated Metal Products	(2.3)	(5.2)	7.8	3.6	4.8	6.7	9.1	5.0
Machinery & Equipment	(22.5)	6.1	(6.6)	6.8	8.5	9.7	3.8	7.5
Computers & Peripheral Equipment	1.0	31.6	(8.5)	5.1	4.0	2.8	14.0	5.2
Electrical Equipment	18.7	(21.3)	31.4	4.9	8.5	13.1	(0.6)	7.8
Electronic Compo & Boards, Com Equip and Elect	(10.5)	5.4	6.3	8.2	9.1	13.9	4.0	9.9
Medical, Precision & Optical, Watches & Clocks	33.3	11.0	30.7	3.0	5.5	14.4	1.9	7.9
Motor Vehicles & Transport Equipment	34.7	(17.8)	31.9	(3.1)	0.5	1.3	0.7	(2.6)
Furniture	3.2	(31.1)	18.6	6.7	9.0	7.2	7.0	6.1
Other Mfg and Repair & Installation and Equipment	0.2	36.9	(2.5)	4.8	4.3	4.1	3.9	4.7
Construction	**1.9**	**8.2**	**(1.5)**	**12.1**	**11.8**	**11.0**	**17.5**	**12.2**
Residential	1.8	10.3	(3.2)	12.2	12.0	4.7	18.8	11.1
Non-Residential	3.4	7.1	16.4	17.0	11.3	17.6	14.0	16.6
Civil Engineering	(5.1)	13.3	(12.3)	9.4	13.3	6.7	16.3	8.7
Special Trades	8.1	3.0	(4.6)	10.6	10.5	13.7	21.0	12.9
Services	**1.1**	**4.7**	**4.0**	**5.1**	**5.5**	**6.3**	**5.3**	**5.5**
Electricity & Gas	5.7	1.5	0.7	1.0	2.0	2.9	5.7	1.1
Water, Sewerage and Waste Management	2.6	4.3	(0.4)	1.7	3.5	3.5	(3.4)	2.4

Wholesale Trade	6.0	12.6	0.4	6.1	6.0	6.5	4.2	6.0
Retail Trade	(2.2)	1.6	10.9	3.8	4.3	4.5	4.3	4.5
Motor Vehicles	4.3	28.5	1.0	0.1	2.4	8.3	4.5	2.1
Food & Beverage	1.2	2.5	2.6	7.2	8.1	8.7	4.0	7.4
Accommodation	2.7	3.6	5.6	14.5	13.8	14.2	13.4	14.1
Transportation & Storage	1.8	1.7	3.6	8.6	7.9	8.7	10.7	8.6
ICT	0.7	6.2	1.0	3.5	8.5	8.9	3.4	6.2
Finance	1.2	(1.3)	0.7	1.1	(1.9)	0.7	4.5	0.3
Insurance	(11.0)	(4.2)	3.4	2.3	(2.3)	0.1	6.4	1.7
Real Estate	0.8	4.8	1.8	9.9	6.9	8.1	12.4	9.2
Business Services	2.2	1.6	1.4	8.0	8.1	7.3	8.3	7.8
Private Health	1.8	3.1	4.8	8.9	8.9	10.3	8.8	9.0
Private Education	1.5	2.1	0.9	5.0	5.5	5.1	7.4	4.9
Other Services	0.3	3.7	0.8	4.8	6.3	6.3	4.5	5.4
Govt. Services	0.8	5.4	9.3	6.4	7.0	7.5	4.8	6.7
Import Duties	**15.6**	**12.9**	**3.9**	**16.9**	**15.8**	**20.8**	**7.1**	**14.9**

Source: DOSM, Macrobond, MBSBR

Most economies experienced steady growth

Economic growth across economies was generally steady in 4QCY25, with several countries recording higher growth. Among the advanced economies, the UK economy grew slightly slower at +1.0%yoy (3QCY25: +1.2%yoy). Euro area also reported slight moderation to +1.3%yoy (3QCY25: +1.4%yoy). Among the East Asian economies, South Korea's growth softened by +1.5%yoy (3QCY25: +1.8%yoy). Taiwan's economic growth, however, accelerated to +12.7%yoy (3Q25: +8.2%yoy), underpinned by robust demand for artificial intelligence (AI) and technology products. On the regional front, Singapore's growth surged by +6.9% (3QCY25: +1.8%yoy) mainly driven by growth in the manufacturing, wholesale trade and finance and insurance sectors. Likewise, Indonesia's economy expanded faster by +5.4%yoy (3QCY25: +5.0%yoy) thanks to solid private consumption which was supported by government support measures. However, Philippines reported a milder growth at +3.0%yoy (3QCY25: +3.9%yoy).

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

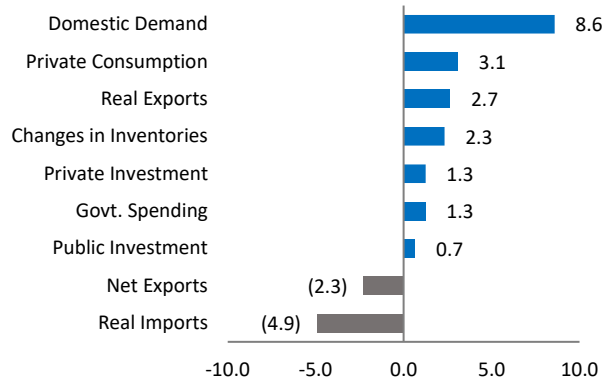
	1Q24	2Q24	3Q24	4Q24	1Q25	2Q25	3Q25	4Q25
Malaysia	4.2	5.9	5.4	4.9	4.4	4.4	5.4	6.3
Indonesia	5.1	5.0	4.9	5.0	4.9	5.1	5.0	5.4
Philippines	5.9	6.4	5.2	5.3	5.4	5.5	3.9	3.0
Thailand	1.7	2.3	3.0	3.3	3.2	2.8	1.2	n.a.
Singapore	4.3	4.8	7.0	5.3	3.9	4.6	4.6	6.9
China	5.3	4.7	4.6	5.4	5.4	5.2	4.8	4.5
Taiwan	7.2	5.3	4.7	4.1	5.5	7.7	8.2	12.7
South Korea	3.4	2.2	1.4	1.1	(0.0)	0.6	1.8	1.5
Japan	(1.1)	(1.0)	0.5	1.0	1.8	2.0	1.1	n.a.
UK	0.3	0.7	1.3	1.9	1.8	1.4	1.2	1.0
Euro area	0.5	0.5	1.0	1.3	1.6	1.5	1.4	1.3
US	2.9	3.0	2.8	2.4	2.0	2.1	2.3	n.a.
QoQ%, annualized	*0.8*	3.6	3.3	1.9	(0.6)	3.8	4.4	n.a.

Source: DOSM, Macrobond, MBSBR

Revise our 2026 GDP growth forecast higher to +4.6%

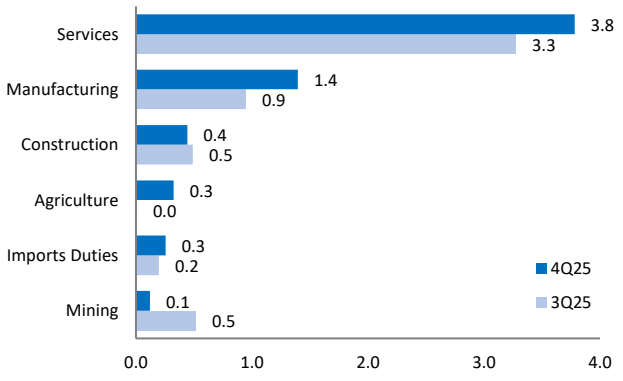
We revise our GDP growth forecast for 2026 higher to +4.6% (previous: +4.3%), taking into account the strong growth in 4QCY25, the more robust domestic economic activities and less significant impacts of tighter US trade rules on external trade and production activities. In terms of global development, Malaysia will continue to benefit from the global tech upcycle, being part of the E&E supply chain. Heading into 2026, we anticipate that resilient domestic demand will remain the primary driver of Malaysia's economic expansion, underpinned by a healthy labour market and stable inflationary conditions. However, as a highly open economy, Malaysia's growth outlook remains susceptible to external volatilities. Key downside risks include shifting trade regulations and a potential re-escalation of geopolitical tensions. Consequently, the trade outlook may be constrained by the impact of higher US tariffs on final demand, alongside the risk of softer external demand across major global markets.

Chart 1: Contribution by Expenditure Components to 4QCY25 GDP Growth (%-point)



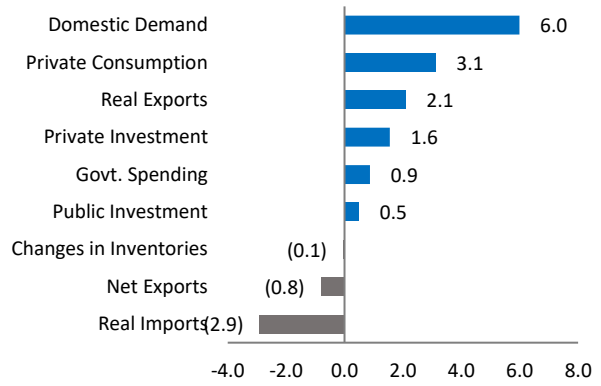
Source: Macrobond, MBSBR

Chart 2: Contribution by Supply-Side Components to 4QCY25 GDP Growth (%-point)



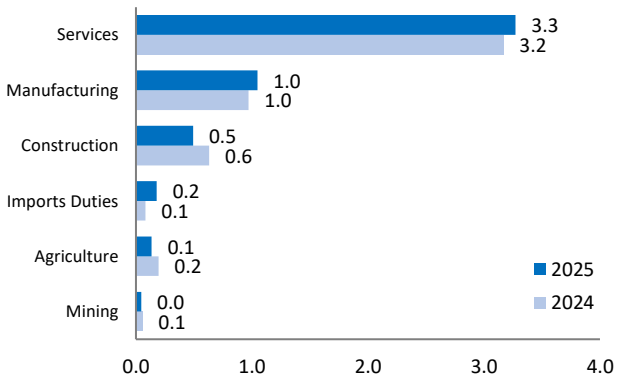
Source: Macrobond, MBSBR

Chart 3: Contribution by Expenditure Components to 2025 GDP Growth (%-point)



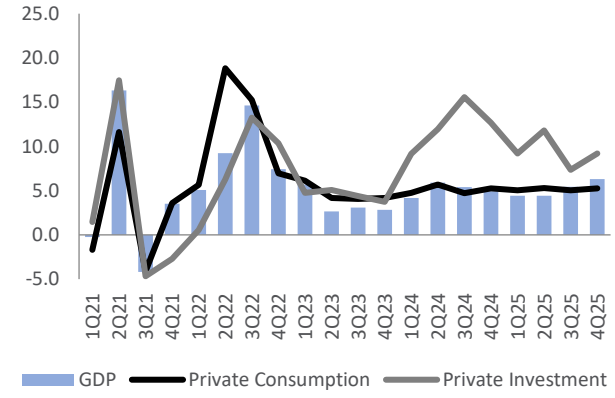
Source: Macrobond, MBSBR

Chart 4: Contribution by Supply-Side Components to 2025 GDP Growth (%-point)



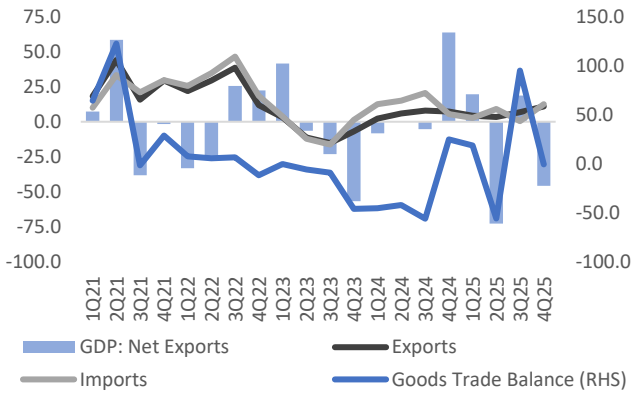
Source: Macrobond, MBSBR

Chart 5: GDP vs Private Sector (YoY%)



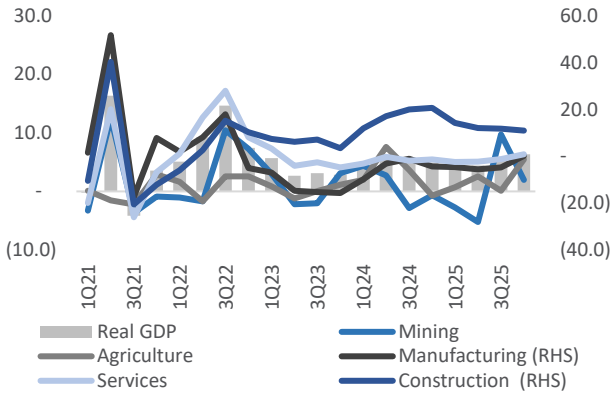
Source: Macrobond, MBSBR

Chart 6: GDP vs External Trade (YoY%)



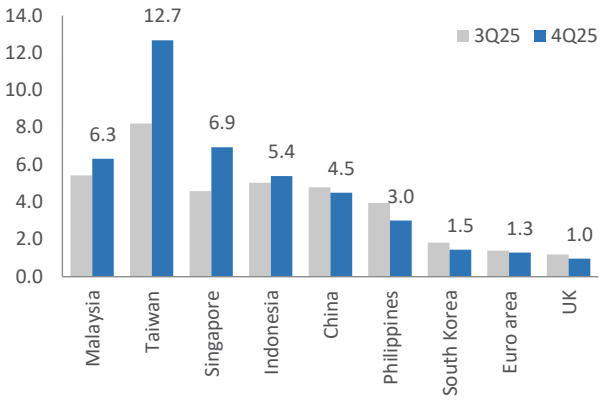
Source: Macrobond, MBSBR

Chart 7: GDP by Supply-Side (YoY%)



Source: Macrobond, MBSBR

Chart 8: GDP Growth for Selected Countries (YoY%)



Source: Macrobond, MBSBR

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