

Economic Focus

3Q25 GDP: Solid all-round performance

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- **Stellar 3Q25 GDP y-o-y growth of 5.2% on strong momentum in domestic spending and positive net exports**
- **Steady growth prospects to sustain in 2026, underpinned by healthy investment activities, firm household spending and resilient exports**
- **Cautiously optimistic on Malaysia's prospects given strong fundamentals to ride through external uncertainties**

On strong footing

Malaysia's economy grew 5.2% y-o-y and 2.4% q-o-q on a seasonally adjusted (SA) basis in 3Q25 (2Q25: +4.4% y-o-y; +2.2% SA q-o-q), which was in line with the better-than-expected advance estimate released earlier. This takes 9M25 GDP growth to 4.7%, on track to achieve the upper end of government's GDP growth target of 4.0%-4.8%. The strong 3Q25 GDP performance was largely attributed to the sustained expansion in domestic demand (+5.8%) and a strong turnaround in external trade (+17.7% vs -72.6% in 2Q25).

Sustained expansion in domestic demand

3Q25 domestic consumption continued to be boosted by sustained expansion in the labour market as unemployment rate dipped to a 10-year low of 3.0% in Sep 2025 with historic high labour force participation rate. Unsurprisingly, strong household spending remains as the cornerstone of Malaysia's growth driver as reflected in firm discretionary spending. Meanwhile, 3Q25 capital expenditure grew at a healthy pace of 7.4% y-o-y (2Q25: +12.1%), reflecting the positive impact arising from record-high approved investments in 2021-2024 and various government-led strategic developments under national blueprints. The winning streak has continued unabated in 2025 with approved investments rising 19% y-o-y to RM190bn in 1H25, which will provide further tailwinds in the near-to-medium term. On the other hand, government expenditure increased by 7.1% (2Q25: +6.4%) on higher emoluments and services.

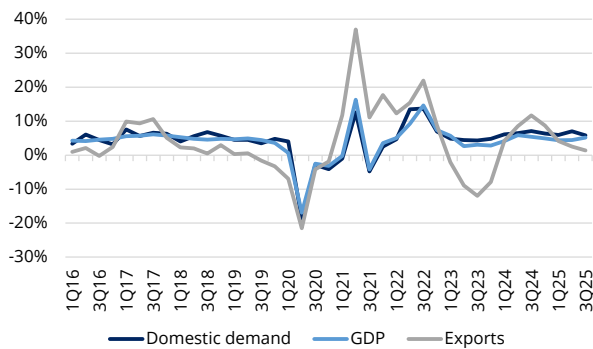
Firing on all cylinders

Within the Services sector (59% of 3Q25 GDP; +5.0% y-o-y), the Wholesale & Retail Trade sub-sector rose by 4.8% y-o-y (vs 4.3% in 2Q25) – the fastest in two years – while Transportation and Storage sub-sector growth remained steady at 7.8% y-o-y (vs 8.6% in 2Q25). Meanwhile, the Construction sector maintained its double-digit growth of 11.8% (vs 12.1% in 2Q25) given robust growth across all the sub-sectors. The Manufacturing sector's growth momentum picked up to 4.1% y-o-y in 3Q25 (vs 3.7% in 2Q25), thanks to the impressive 9.1% y-o-y increase in the E&E industry (8.2% y-o-y in 2Q25). In addition, the Mining sector posted a strong 9.7% y-o-y growth in 3Q25, turning around from four consecutive quarters of contraction due to recovery in oil and gas production.

In a position of strength to navigate external challenges

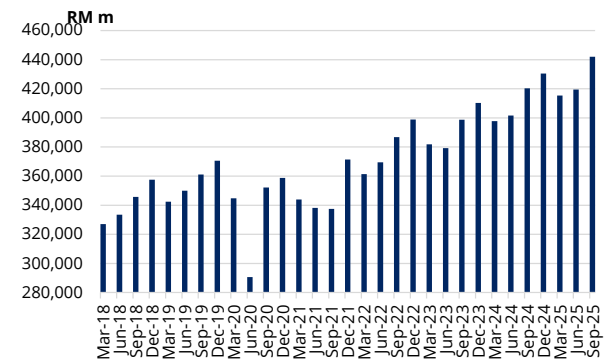
Malaysia is set to benefit from firm domestic demand, underpinned by robust labour market and strong economic activities. Meanwhile, our diversified export composition and non-aligned policy that prioritises economic cooperation and integration will stand us in good stead amid heightened trade conflicts. We believe Malaysia is currently in a position of strength to weather the adverse impact arising from further escalation in geopolitical tensions and protectionist measures, especially after the pre-emptive 25 bps interest rate cut by Bank Negara Malaysia to preserve Malaysia's steady growth trajectory.

3Q25 GDP grew 5.2% y-o-y on firm domestic demand



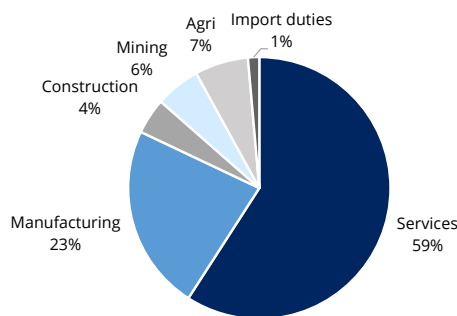
Source: Department of Statistics, AllianceDBS

Quarterly real GDP (RMm): Sustained y-o-y expansion



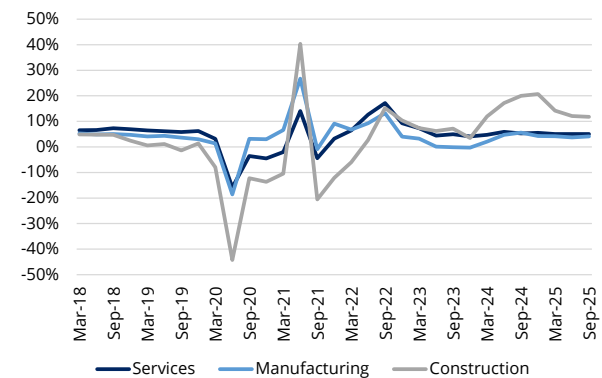
Source: Department of Statistics, AllianceDBS

Supply side: Composition of 3Q25 GDP



Source: Department of Statistics, AllianceDBS

Supply side: Y-o-y GDP growth by sector



Source: Department of Statistics, AllianceDBS

Supply side GDP component y-o-y growth

	2024 share	1Q24	2Q24	3Q24	4Q24	1Q25	2Q25	3Q25
Services	59.4%	4.8%	5.9%	5.2%	5.5%	5.0%	5.1%	5.0%
Manufacturing	23.1%	2.1%	4.7%	5.6%	4.2%	4.1%	3.7%	4.1%
Agriculture	6.3%	1.9%	7.6%	3.6%	-0.7%	0.7%	2.5%	0.4%
Mining	6.0%	4.3%	2.7%	-2.8%	-0.7%	-2.7%	-5.2%	9.7%
Construction	4.0%	11.9%	17.2%	20.0%	20.7%	14.2%	12.1%	11.8%
GDP		4.2%	5.9%	5.4%	4.9%	4.4%	4.4%	5.2%

Source: Department of Statistics, AllianceDBS

Demand side GDP component y-o-y growth

	2024 share	1Q24	2Q24	3Q24	4Q24	1Q25	2Q25	3Q25
Domestic Demand	95%	6.1%	6.5%	7.1%	6.4%	6.0%	7.0%	5.8%
Private Consumption	61%	4.7%	5.7%	4.7%	5.3%	5.0%	5.3%	5.0%
Private Investment	17%	9.2%	12.0%	15.6%	12.7%	9.2%	11.8%	7.3%
Public Consumption	13%	7.3%	1.8%	6.0%	4.0%	4.3%	6.4%	7.1%
Public Investment	5%	11.5%	9.1%	14.4%	10.0%	11.6%	13.6%	7.4%
Net exports	4%	-8.3%	0.3%	-5.3%	63.6%	19.6%	-72.6%	17.7%
GDP		4.2%	5.9%	5.4%	4.9%	4.4%	4.4%	5.2%

Source: Department of Statistics, AllianceDBS

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