

# Economic Focus

## 4Q25 GDP: Impressive all-round quarter

16 Feb 2026

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- **Stellar 4Q25 GDP growth of 6.3% y-o-y on strong momentum in domestic spending**
- **Steady growth trajectory to sustain in 2026, underpinned by healthy investment activities, firm household spending and resilient exports**
- **Cautiously optimistic on Malaysia's prospects given strong fundamentals**

### Robust expansion in domestic demand

Malaysia's economy grew 6.3% y-o-y and 0.8% q-o-q on a seasonally adjusted (SA) basis in 4Q25 (3Q25: +5.4% y-o-y; +2.7% SA q-o-q), which was even higher than the advance estimate released earlier. This lifted 2025 GDP growth to a solid 5.2% (vs 5.1% in 2024), despite concerns of trade uncertainties, and easily surpassed the government's GDP growth target of 4.0%-4.8%. The strong 4Q25 GDP performance was largely attributed to the sustained expansion in domestic demand (+6.6%), offset by weaker net exports (-45.8% vs +18.7% in 3Q25). It is likely that the successful ASEAN Summit and continuous transmission effect of the July 2025 interest rate cut have contributed to the positive all-round economic performance in 4Q25.

### Confluence of economic tailwinds

Domestic consumption in 4Q25 continued to be boosted by sustained expansion in the labour market. The unemployment rate dipped to an 11-year low of 2.9% in Dec 2025, alongside a historic high labour force participation rate. In addition, private sector nominal wages grew at the fastest pace in two years, rising 4.1% in 4Q25 (3.1% in 4Q24) given the tight labour market. Unsurprisingly, strong household spending remains the cornerstone of Malaysia's growth driver as reflected in firm discretionary spending. Meanwhile, 4Q25 capital expenditure grew at a solid pace of 9.3% y-o-y (3Q25: +7.4%), reflecting the positive impact arising from record-high approved investments in 2021-2024 and various government-led strategic developments. The momentum stayed intact with approved investments rising 13% y-o-y to RM285bn in 9M25, providing further tailwinds in the near-to-medium term. On the other hand, government expenditure increased by 8.0% (3Q25: +7.1%) on higher emoluments and services spending.

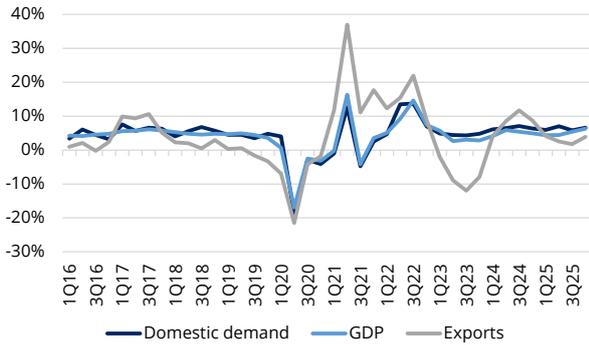
### Firing on all cylinders

Within the Services sector (60% of 4Q25 GDP; +6.3% y-o-y), the Wholesale & Retail Trade sub-sector rose by 5.7% y-o-y (vs 4.3% in 3Q25) – the fastest in three years – while the Transportation and Storage sub-sector growth remained steady at 8.7% y-o-y (vs 7.9% in 3Q25). Meanwhile, the Construction sector maintained its double-digit growth of 11.0% (vs 11.8% in 3Q25), given robust growth across all the sub-sectors. The Manufacturing sector's growth momentum picked up to 6.1% y-o-y in 4Q25 (vs 4.1% in 3Q25), thanks to the impressive 13.9% y-o-y increase in the E&E industry (9.1% y-o-y in 3Q25). In addition, the Agriculture sector posted strong 5.4% y-o-y growth in 4Q25, ending a period of lacklustre performance thanks to higher growth for oil palm.

### In a position of strength to navigate external challenges

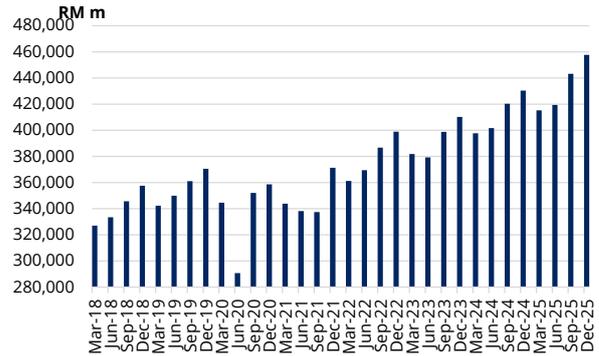
Malaysia is well-positioned to benefit from firm domestic demand, underpinned by a robust labour market and strong economic activities. Furthermore, a diversified export base and a non-aligned policy – prioritising economic cooperation and integration – provide a vital buffer against geopolitical tensions. Key downside risks include lower-than-expected commodity production and slower global trade.

4Q25 GDP grew 6.3% y-o-y on firm domestic demand



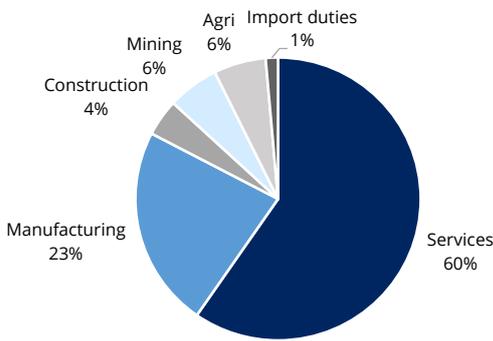
Source: Department of Statistics, AllianceDBS

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



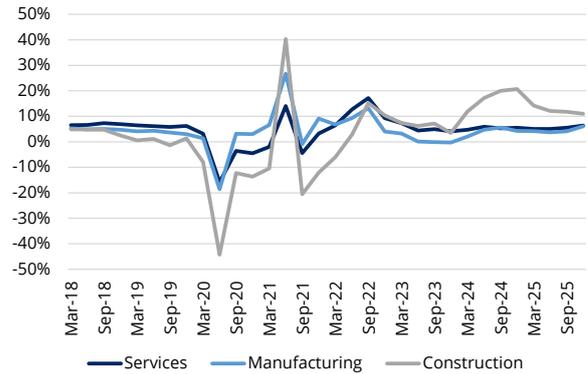
Source: Department of Statistics, AllianceDBS

Supply side: Composition of 4Q25 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	4Q25
Services	59.4%	4.8%	5.9%	5.2%	5.5%	5.0%	5.1%	5.5%	6.3%
Manufacturing	23.1%	2.1%	4.7%	5.6%	4.2%	4.1%	3.7%	4.1%	6.1%
Agriculture	6.3%	1.9%	7.6%	3.6%	-0.7%	0.7%	2.5%	0.1%	5.4%
Mining	6.0%	4.3%	2.7%	-2.8%	-0.7%	-2.7%	-5.2%	9.7%	2.0%
Construction	4.0%	11.9%	17.2%	20.0%	20.7%	14.2%	12.1%	11.8%	11.0%
<b>GDP</b>		<b>4.2%</b>	<b>5.9%</b>	<b>5.4%</b>	<b>4.9%</b>	<b>4.4%</b>	<b>4.4%</b>	<b>5.4%</b>	<b>6.3%</b>

Source: Department of Statistics, AllianceDBS

Demand side GDP component y-o-y growth

	2024 share	1Q24	2Q24	3Q24	4Q24	1Q25	2Q25	3Q25	4Q25
Domestic Demand	95%	6.1%	6.5%	7.1%	6.4%	6.0%	7.0%	5.8%	6.6%
Private Consumption	61%	4.7%	5.7%	4.7%	5.3%	5.0%	5.3%	5.0%	5.3%
Private Investment	17%	9.2%	12.0%	15.6%	12.7%	9.2%	11.8%	7.3%	9.2%
Public Consumption	13%	7.3%	1.8%	6.0%	4.0%	4.3%	6.4%	7.1%	8.0%
Public Investment	5%	11.5%	9.1%	14.4%	10.0%	11.6%	13.6%	7.4%	9.5%
Net exports	4%	-8.3%	0.3%	-5.3%	63.6%	19.6%	-72.6%	18.7%	-45.8%
<b>GDP</b>		<b>4.2%</b>	<b>5.9%</b>	<b>5.4%</b>	<b>4.9%</b>	<b>4.4%</b>	<b>4.4%</b>	<b>5.4%</b>	<b>6.3%</b>

Source: Department of Statistics, AllianceDBS

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