

## Global Markets Research

### Malaysia - Economics

# Solid quarter to mark the close of 2025

**Surprisingly strong growth of 6.3% y/y in 4Q signalled robustness of the Malaysian economy**  
**Broad-based pick-up in domestic demand growth offset renewed drag from net exports**  
**2026 growth upgraded to 4.8%; sustained growth outlook supports our OPR pause view**

#### Summary

The final reading of 4Q GDP showed the Malaysian economy ended 2025 on a high note, clocking in an impressive 6.3% y/y expansion in 4Q25, upwardly revised from the advanced estimate of +5.7% y/y, and marked a pick-up from 3Q's +5.4% y/y increase (revised 0.2ppt up from +5.2% y/y). This marked its 2<sup>nd</sup> straight quarter of pick-up and to its best growth pace in three years, as momentum built into the very last month of the year (Figure 2).

The robust expansion was driven by positive domestic demand stemming from a combo of improvement from both the private and public sectors. Domestic demand saw accelerated growth of 6.6% y/y in 4Q (3Q: +5.8% y/y) while net exports turned negative again, witnessing a 45.8% y/y decline in 4Q (3Q: +18.7% y/y revised) as a result of much quicker imports growth vis-à-vis slower growth in exports.

On the contrary, growth momentum softened on a seasonally adjusted quarterly basis (+0.8% vs +2.7% q/q). For the whole of 2025, the Malaysian economy defied expectations for a slowdown and grew at a slightly faster pace of 5.2% y/y, a tad shy of the 5.1% y/y growth in 2024, a very commendable performance amid a highly uncertain environment unnerved by the shift in US trade policies and geopolitical upheaval through the year.

#### Quicker gain in domestic demand; smaller net export growth

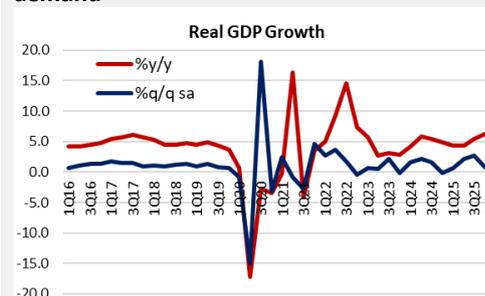
Expansion in domestic demand picked up again during the quarter to 6.6% y/y, bounced back up from the 5.8% y/y increase in 3Q which was its slowest growth pace in seven quarters. This was driven by broad improvement across both the private (+6.0% vs +5.5% y/y) and public (+9.2% vs +7.3% y/y) sectors. All key components picked up steam with the fastest growth coming from government investment (+9.5% y/y) and private investment (+9.2% y/y) as shown in Figure 5, supported by stronger equipment and machinery spending (especially for data centres) as well as fixed asset spending by the government and public corporations.

Meanwhile, net exports turned negative again in 4Q (-45.8% y/y) after the brief rebound in 3Q (+18.7% upwardly revised from +17.7% y/y), hit by a double whammy of slower exports growth (+0.7% vs +1.7% y/y) and faster increase in imports (+7.9% vs +0.7% y/y).

#### Faster growth in all sectors except mining and construction

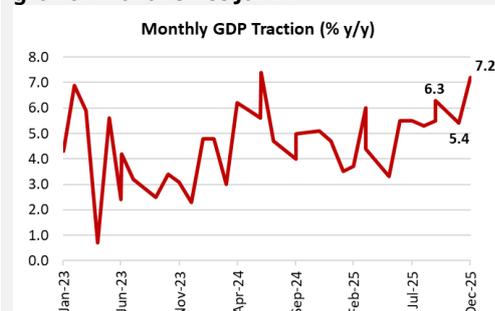
On the supply side (Figure 6), all sectors reported faster expansion except mining and construction, led by the services and manufacturing sectors. Services value-added grew at its best pace in almost three years (11 quarters), by 6.3% y/y (3Q: +5.5% upwardly revised from +5.0y/y), shored up by consumer-related subsectors, government services, and ICT subsector following the operationalisation of data centres. For the manufacturing

**Figure 1: Real GDP growth picked up to its fastest in three years @ 6.3% y/y in 4Q25; spurred by faster growth in domestic demand**



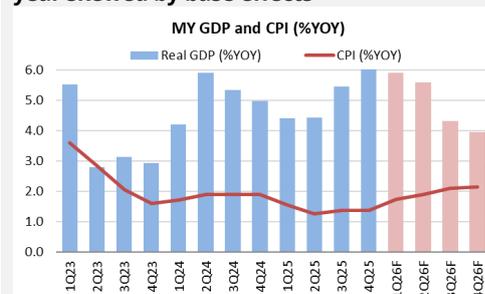
Source: DOSM, BNM

**Figure 2: December marked its strongest growth month since Jul-24**



Source: DOSM, BNM

**Figure 3: Expect sustained growth in 1H before softening more evidently in 2H of the year skewed by base effects**



Source: DOSM, HLBB Global Markets Research

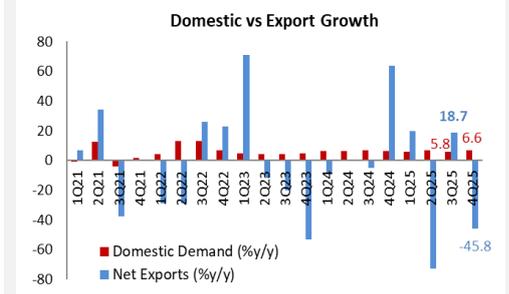
sector, the next biggest GDP component after services, the 6.1% growth (3Q: 4.1% y/y) was driven by stronger production in E&E, as well as consumer-related products. The agriculture sector also reported stronger growth (+5.4% vs +0.1% y/y), thanks to higher growth of oil palm. On the contrary, the mining sector saw a sharp deceleration in growth (+2.0% vs +9.7% y/y), dragged by slower oil production and a decline in gas production growth. The construction sector sustained a 11.0% y/y increase (3Q: +11.8% y/y), underpinned by non-residential and special trade activities.

**Outlook**

We are turning more positive on the overall macro landscape although we continue to take cognizance of potential downside risks. The world economy proved to be more resilient than expected with growth of many economies surprising on the upside despite multiple challenges from the shift in trade policies, volatility in financial markets, as well as geopolitical woes. IMF had also continuously upgraded its world growth forecasts, bringing forecasts back to where it initially was before Liberation Day, not only reflecting limited tariff-related fallout to-date, but evidences of increased economic activities stemming from pre-tariff frontloading instead.

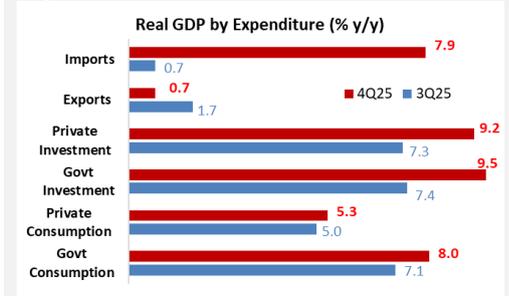
While we remain concern there could be “payback” in 2026 from the surprisingly resilient growth in 2025, reduced uncertainties and better policy visibility, shall support our cautious optimism, barring any flare-up in sector-specific tariff especially on semiconductor, and/ or any black swan event. Sound labour market and hence consumer spending, continuous implementation of investment projects, as well as ongoing government policy support, not forgetting robust tourism activities, will continue to drive growth in the Malaysian economy this year. As a result, we are upgrading our 2026 real GDP growth forecast from 4.0-4.5% (midpoint 4.3%) to 4.8%. Continued moderate growth outlook, coupled with well-contained inflation, are reaffirming our view for an unchanged OPR this year, which will be supportive of the MYR.

**Figure 4: Acceleration in domestic demand growth fully offset renewed drag from negative net exports**



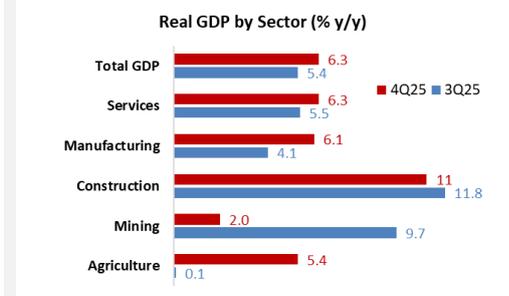
Source: DOSM, BNM

**Figure 5: Broad-based improvement in domestic sectors; slower growth in exports aggravated by a sharply bigger increase in imports**



Source: DOSM, BNM

**Figure 6: Faster growth across all sectors except for the slower growth in mining**



Source: DOSM, BNM

**Malaysia Key Economic Metrics**

	2024												2025												
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	
Real GDP	4.8	4.8	4.2	6.2	5.9	5.6	7.4	4.7	4.0	5.0	5.1	4.7	3.5	3.7	6.0	4.4	3.3	5.5	5.5	5.3	5.5	6.3	5.4	6.3	
Monthly Real GDP	3.4	2.1	2.3	4.4	3.8	3.7	5.2	4.2	1.8	2.5	2.8	3.4	0.4	0.1	0.7	0.5	0.3	0.1	-0.3	-0.3	0.8	3.4	0.2	7.2	
Leading indicator	8.7	-0.8	-0.9	9.1	7.1	1.7	12.3	12.0	-0.6	1.6	3.9	16.9	0.3	6.2	6.8	16.4	-1.1	-3.5	6.5	1.7	12.2	15.7	7.0	10.4	
Exports	18.7	8.0	12.5	15.5	13.4	17.8	25.4	26.2	10.9	1.7	1.6	11.9	6.2	5.5	-2.8	20.0	6.6	1.3	0.6	-5.9	7.3	10.0	15.8	12.0	
Imports	10.2	11.2	12.7	7.7	10.0	14.3	6.4	5.5	12.8	11.9	15.3	19.2	3.7	12.6	24.8	5.2	0.8	8.6	14.6	15.9	19.9	20.4	6.1	19.3	
Trade balance (RMbn)	4.3	3.1	2.4	6.1	2.4	5.0	5.3	4.1	2.3	2.0	3.6	4.6	2.1	1.5	3.2	2.7	0.3	2.9	4.2	4.8	5.7	6.0	4.3	4.8	
Industrial production	3.7	1.2	1.3	4.9	4.6	5.2	7.7	6.5	3.2	3.3	4.6	5.8	3.7	4.8	4.0	5.6	2.8	3.6	4.4	2.8	5.0	6.5	4.9	6.7	
Manufacturing production	2.0	1.0	0.7	1.2	1.1	1.8	2.4	1.5	1.2	1.7	1.8	1.7	1.5	2.0	1.8	2.4	1.5	1.6	2.3	1.8	2.0	2.4	1.9	2.5	
Wages (manufacturing)	3.3	3.3	3.3	3.3	3.3	3.3	3.3	3.2	3.2	3.2	3.2	3.1	3.1	3.1	3.1	3.0	3.0	3.0	3.0	3.0	3.0	3.0	2.9	2.9	
Unemployment rate (%)	5.5	5.2	4.0	4.8	4.7	4.0	5.5	3.7	3.6	4.8	4.7	5.7	4.9	5.8	5.7	5.5	4.7	5.2	5.4	5.1	5.9	7.3	6.0	6.9	
Wholesale trade	2.6	5.8	7.1	5.5	8.7	7.9	6.4	5.9	5.5	7.1	5.8	5.4	8.2	5.7	6.6	4.7	4.9	5.4	5.6	5.0	7.0	6.8	6.4	6.9	
Retail trade	34.9	4.4	-8.7	28.7	14.0	-5.8	11.5	-0.1	-14.0	-6.3	-6.2	3.1	-27.0	0.1	2.2	1.0	-3.2	-5.2	-4.5	0.4	0.3	6.4	5.5	10.3	
Passenger car sales	1.5	1.8	1.8	1.8	2.0	2.0	2.0	1.9	1.8	1.9	1.8	1.7	1.7	1.5	1.4	1.4	1.2	1.1	1.2	1.3	1.5	1.3	1.4	1.6	
CPI	-0.6	0.3	1.6	1.9	1.4	1.6	1.3	0.3	-2.1	-2.4	-0.4	0.5	0.8	0.3	-1.9	-3.4	-3.6	-4.2	-3.8	-2.8	-0.8	-0.1	-1.8	-2.7	
PPI																									

Source: BNM; DOSM; HLBB Global Markets Research

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