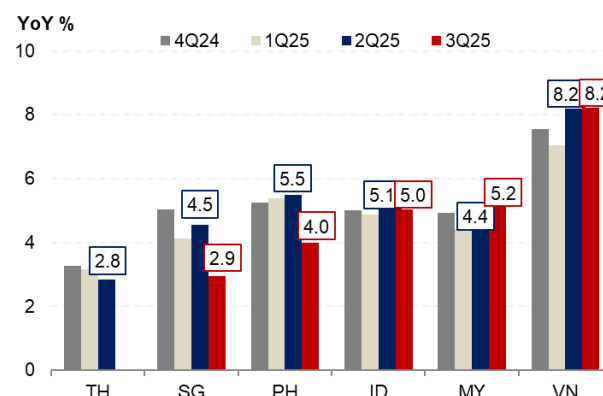


Malaysia 3Q25 GDP

Growth hits 5.2%; domestic demand to drive cautiously growth path into 2026

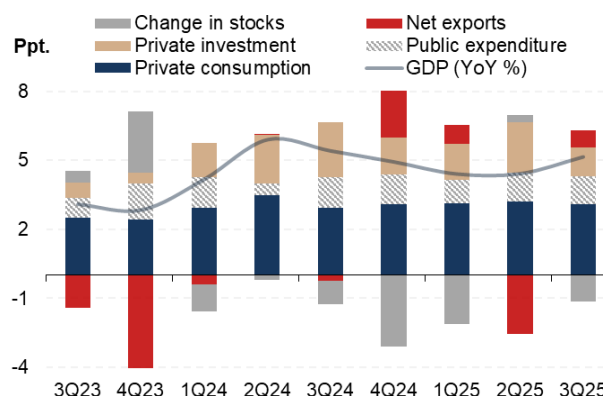
- **GDP growth accelerated to 5.2% YoY in 3Q25 (2Q25: 4.4%), matching Bloomberg consensus and Department of Statistics' (DOSM) advance estimate, but slightly above the house forecast of 5.0%**
 - The solid growth was mainly driven by a recovery in the mining sector and net exports, alongside continued manufacturing expansion, but momentum was capped by softer domestic demand amid moderate investment.
 - Meanwhile, **seasonally adjusted QoQ** rose 2.4% (2Q25: 2.2%), reflecting firmer sequential performance.
 - Within ASEAN-5 (+VN, excluding TH), Malaysia recorded second highest growth behind Vietnam (8.2%), outpacing Indonesia (5.0%), the Philippines (4.0%), and Singapore (2.9%).
- **A rebound in net exports partially capped the slowdown in domestic demand**
 - **Domestic demand** (5.8%; 2Q25: 7.0%) growth moderated to a seven-quarter low on slower investment activity. Its contribution to overall growth edged down to 5.6 percentage points (ppts) (2Q25: 6.6 ppts), the lowest since 4Q23 (4.4 ppts).
 - **Public spending** (7.2%; 2Q25: 8.1%) moderated due to sharply slower investment (7.4%; 2Q25: 13.6%), but higher public consumption (7.1%; 2Q25: 6.4%) partly offset the drag. Its contribution to GDP growth slipped to 1.2 ppts (2Q25: 1.3 ppts).
 - **Private spending** (5.5%; 2Q25: 6.8%) slowed as private investment eased (7.3%; 2Q25: 11.8%) and private consumption moderated slightly (5.0%; 2Q25: 5.3%). Its contribution to overall GDP growth fell 4.4 ppts (2Q25: 5.4%), a six-quarter low.
 - **Net exports** (17.7%; 2Q25: -72.6%) rebounded sharply due to a slowdown in imports which outpaced moderate exports, contributing 0.7 ppts (2Q25: -2.6 ppts) to overall 3Q25 GDP growth.
 - **Exports** (1.4%; 2Q25: 2.6%) moderated, due to slower growth of value-added goods exports (0.3%; 2Q25: 1.4%), and services exports (6.7%; 2Q25: 8.0%).
 - **Imports** (0.4%; 2Q25: 6.6%) slowed sharply due to a contraction in goods imports (-0.1%; 2Q25: 7.2%) and slower services imports (2.2%; 2Q25: 4.2%).
- **Sectoral growth: Solid manufacturing sector expansion and a rebound in mining lifted overall growth**
 - **Services** (5.0%; 2Q25: 5.1%) eased slightly below house (5.1%) and DOSM's advance estimate (5.1%) amid slower transportation and storage (7.8%; 2Q25: 8.6%). Wholesale and retail trade (4.8%; 2Q25: 4.3%) and food & beverage (8.1%; 2Q25: 7.2%) continued to support growth. The sector's contribution to overall GDP remained steady at 3.0 ppts (2Q25: 3.0 ppts).
 - **Manufacturing** (4.1%; 2Q25: 3.7%) accelerated, slightly higher than house (4.0%) and DOSM's (4.0%) estimates, supported by higher output in electrical, electronic and optical products (8.4%; 2Q25: 7.3%). This was partially offset by slower growth in vegetable and animal oils & fats and food processing (6.8%; 2Q25: 11.8%). Manufacturing's contribution to GDP remained at 0.9 ppts (2Q25: 0.9 ppts).
 - **Mining** (9.7%; 2Q25: -5.2%) rebounded sharply, slightly above our forecast (9.1%) but below DOSM's advance estimate (10.9%). The recovery was broad-based, led by natural gas (11.6%; 2Q25: -8.1%), followed by crude oil

Graph 1: ASEAN-5 (+VN) GDP Growth Performance



Source: DoSM, Macrobond, Kenanga Research

Graph 2: GDP by Expenditure Performance (Percentage Point Contribution to Growth)



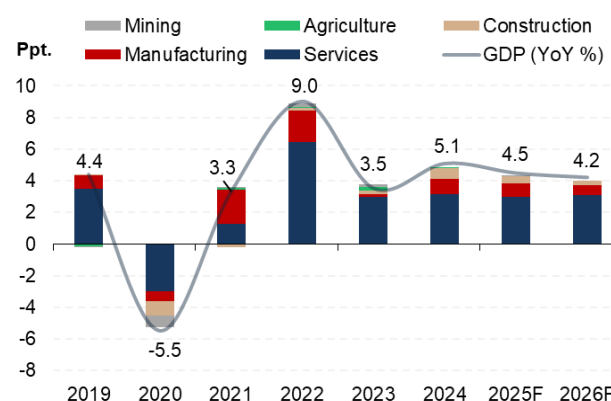
Source: DoSM, Macrobond, Kenanga Research

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and condensate (8.3%; 2Q25: -1.6%) and other mining & quarrying and supporting services (5.3%; 2Q25: -2.9%) output. Mining's contribution rebounded to 0.5 ppts (2Q25: -0.3 ppts) after two consecutive quarters of contraction.

- **Construction** (11.8%; 2Q25: 12.1%) moderated but slightly exceeded our forecast (11.3%) and DOSM's advance estimate (11.2%). Growth in the non-residential building (11.3%; 2Q25: 17.0%), and residential buildings (12.0%; 2Q25: 12.2%) eased, while strong civil engineering growth (13.3%; 2Q25: 9.4%) helped limit the slowdown. The sector's contribution to the overall GDP growth was unchanged at 0.5 ppts (2Q25: 0.5 ppts).
- **Agriculture** (0.4%; 2Q25: 2.5%) slowed, matching DOSM's forecasts (0.4%) but exceeding the house estimate (0.1%). The moderation mainly due to a decline in output of rubber (-11.1%; 2Q25: -10.6%) and oil palm (-0.7%; 2Q25: 5.3%) and moderate growth in other agriculture (1.5%; 2Q25: 2.0%) sectors. However, the slowdown was supported by livestock (2.1%; 2Q25: 1.7%) output. Contribution to GDP growth down to 0.03 ppts (2Q25: 0.2 ppt).
- **We maintain our 2025 GDP growth forecast at 4.5% with some upside if final quarter growth surprises on the upside. For 2026, we project slower growth of 4.2% due to the lagged impact of higher US tariffs**

Graph 3: Growth Outlook by Sector (KIBB forecast)



Source: DoSM, Macrobond, Kenanga Research

- **Outlook:** Near-term prospects remain clouded by elevated US tariff on Malaysia's export sector, particularly export-oriented manufacturing. Key exports such as E&E are exempted, which has helped kept trade resilient so far. However, we expect tariff effects to emerge toward year end and into 2026 as costs pass through to American consumer and supply chains adjust. Even so, the Malaysia-US Agreement on Reciprocal Trade (ART) should help preserve competitiveness and limit export disruption.
- **Growth drivers: Domestic demand** is expected to remain the main anchor. Targeted assistance programs such as Sumbangan Tunai Rahmah (STR), Sumbangan Asas Rahmah (SARA) and the RM100 one-off for all individuals from September to December will support near-term spending. Rising household incomes, underpinned by minimum the wage hike to RM1,700 and civil service pay adjustments, a stable unemployment rate (September: 3.0%), and ongoing realisation of approved investments that provide higher income and quality jobs, should sustain domestic demand. **Public spending** also has room to accelerate in 4Q25, after earlier fiscal prudence. Additionally, **services exports** are expected to strengthen further on higher tourist arrivals and spending under Visit Malaysia 2026 campaign. On the **investment** side, policy clarity and transformative policy execution under frameworks such as the New Industrial Master Plan 2030 (NIMP2030), National Energy Transition Roadmap (NETR), National Semiconductor Strategy (NSS), AI Nation Framework and 13th Malaysia Plan (13MP) are expected to support investment momentum.
- **Risks:** Domestic risks remain contained, and the upcoming Sabah state elections are unlikely to derail sentiment. However, external risk persists given Malaysia's trade exposure. While tariff tensions have eased, US tariffs remain high and global supply chain adjustments could weigh on exports. Nonetheless, we expect global policy easing to cushion demand. **These risk and uncertainties warrant caution, and we maintain 2026 GDP growth projection at 4.2%.**
- **BNM policy outlook: expected to keep OPR at 2.75% through 2026, supported by steady domestic demand and contained inflation, barring external shocks**
 - The current rate remains accommodative for growth amid structural reforms under the Madani agenda. Growth prospects should be reinforced by the Visit Malaysia 2026 campaign and the rollout of a record-high Budget 2026 worth RM419.2b. This fiscal push will be complemented by the mobilisation of RM30.0b GLIC investments, RM10.0b public-private investment, and RM10.8b in investment from federal statutory bodies and MKD companies, all aligned with ongoing national policy frameworks.
 - While subdued inflation provides room for policy easing, we see it as unnecessary for now. The OPR is already below pre-COVID levels, and further easing could constrain BNM's capacity to respond to global volatility. Instead, we expect BNM to remain guided by data, preserving policy flexibility to safeguard macro stability and sustain reform momentum.
 - Against this backdrop, **we anticipate a steady policy stance by BNM through 2026**, anchoring stability while supporting Malaysia's structural transformation.

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Table 1: Malaysia GDP Growth (constant 2015 prices) and Contribution to Growth by Sector (Supply) and Expenditure (Demand)

YoY %	2023	2024	1Q25	2Q25	3Q25	4Q25F	1H25	2H25F	2025F	2026F
By Sector										
Agriculture	0.2	3.1	0.7	2.5	0.4	-0.3	1.6	0.0	0.8	1.9
Mining	0.5	0.9	-2.7	-5.2	9.7	0.7	-3.9	4.8	0.4	-0.5
Manufacturing	0.7	4.2	4.1	3.7	4.1	2.9	3.9	3.5	3.7	2.7
Construction	6.0	17.5	14.2	12.1	11.8	7.4	13.1	9.6	11.3	6.8
Services	5.1	5.3	5.0	5.1	5.0	4.9	5.0	5.0	5.0	5.2
Real GDP	3.5	5.1	4.4	4.4	5.2	4.0	4.4	4.6	4.5	4.2
Ppt. Contribution										
Agriculture	0.0	0.1	0.0	0.2	0.03	0.0	0.1	0.0	0.1	0.1
Mining	0.0	0.1	-0.2	-0.3	0.5	0.0	-0.2	0.3	0.0	0.0
Manufacturing	0.2	0.7	1.0	0.9	0.9	0.7	0.9	0.8	0.9	0.6
Construction	0.2	0.5	0.6	0.5	0.5	0.3	0.5	0.4	0.5	0.3
Services	3.0	3.6	3.0	3.0	3.0	2.9	3.0	2.9	3.0	3.1
Real GDP	3.5	5.1	4.4	4.4	5.2	4.0	4.4	4.6	4.5	4.2
By Expenditure										
Consumption	4.4	5.0	4.9	5.5	5.4	5.8	5.2	5.6	5.4	6.1
Public	3.4	4.7	4.3	6.4	7.1	7.5	5.3	7.3	6.4	5.7
Private	4.6	5.1	5.0	5.3	5.0	5.3	5.2	5.2	5.2	6.2
Investment	5.4	12.0	9.7	12.1	7.4	7.8	10.9	7.6	9.2	9.4
Public	8.5	11.1	11.6	13.6	7.4	6.0	12.6	6.5	8.9	8.6
Private	4.5	12.3	9.2	11.8	7.3	8.7	10.6	8.0	9.3	9.6
Public Spending	4.7	6.3	6.2	8.1	7.2	7.0	7.1	7.1	7.1	6.5
Private Spending	4.6	6.6	5.9	6.8	5.5	5.9	6.4	5.7	6.1	6.9
Domestic Demand	4.6	6.5	6.0	7.0	5.8	6.2	6.5	6.0	6.2	6.8
Exports	-7.9	8.3	4.1	2.6	1.4	2.0	3.3	1.7	2.5	3.3
Imports	-6.8	8.2	3.1	6.6	0.4	1.7	4.9	1.0	2.9	3.5
Net exports	-22.2	9.2	19.6	-72.6	17.7	5.8	-22.5	11.1	-3.8	-0.1
Real GDP	3.5	5.1	4.4	4.4	5.2	4.0	4.4	4.6	4.5	4.2
Ppt. Contribution										
Consumption	3.2	3.7	3.6	4.0	4.0	4.3	3.8	4.1	4.0	4.5
Public	0.5	0.6	0.5	0.8	0.9	1.2	0.6	1.0	0.8	0.8
Private	2.8	3.1	3.1	3.2	3.1	3.1	3.2	3.1	3.1	3.8
Investment	1.1	2.4	2.1	2.7	1.6	1.6	2.4	1.6	2.0	2.1
Public	0.4	0.5	0.5	0.5	0.3	0.4	0.5	0.4	0.4	0.4
Private	0.7	1.9	1.6	2.2	1.2	1.2	1.9	1.2	1.5	1.7
Public Spending	0.8	1.1	1.0	1.3	1.2	1.6	1.1	1.4	1.3	1.2
Private Spending	3.5	5.0	4.7	5.4	4.4	4.3	5.0	4.3	4.7	5.4
Domestic Demand	4.3	6.1	5.7	6.6	5.6	5.9	6.2	5.7	5.9	6.6
Exports	-5.9	5.5	2.8	1.7	1.0	1.3	2.3	1.2	1.7	2.2
Imports	-4.7	5.1	1.9	4.3	0.2	1.1	3.1	0.7	1.9	2.2
Net exports	-1.2	0.4	0.8	-2.6	0.7	0.3	-0.9	0.5	-0.2	0.0
Real GDP	3.5	5.1	4.4	4.4	5.2	4.0	4.4	4.6	4.5	4.2

Source: DoSM, BNM, Kenanga Research
F: forecast, PPT: percentage point

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