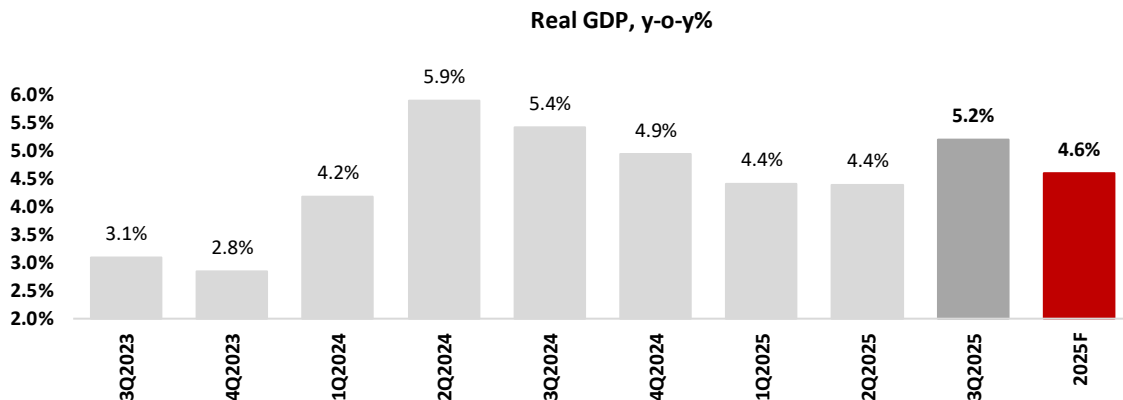
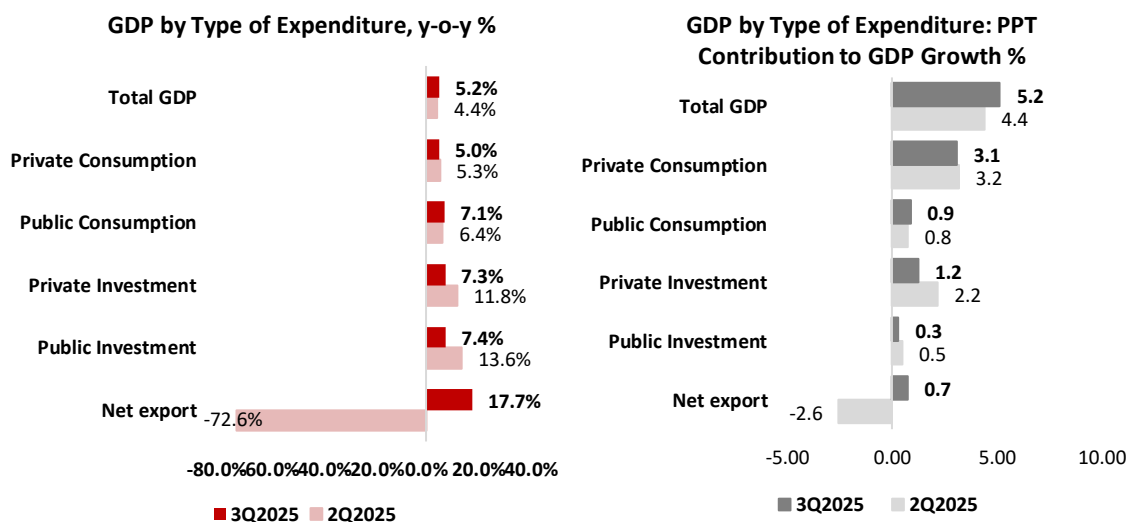


2025 GDP GROWTH REVISED TO 4.6% ON STRONGER-THAN-EXPECTED 3Q2025 PERFORMANCE



Sources: Department of Statistics Malaysia (DOSM), Bank Islam

- Malaysia's GDP performance in 3Q2025 surprised on the upside, expanding by a stronger-than-expected 5.2% y-o-y. The economic growth in 3Q2025 marks a notable acceleration from 4.4% y-o-y in 2Q2025, despite earlier anticipations of a slowdown in 2H2025 ahead of the 19.0% U.S. tariff increase implemented in August. On a year-to-date (YTD) basis, the economy recorded average growth of 4.7% y-o-y, placing it near the upper end of the official forecast range of between 4.0% and 4.8% for 2025.

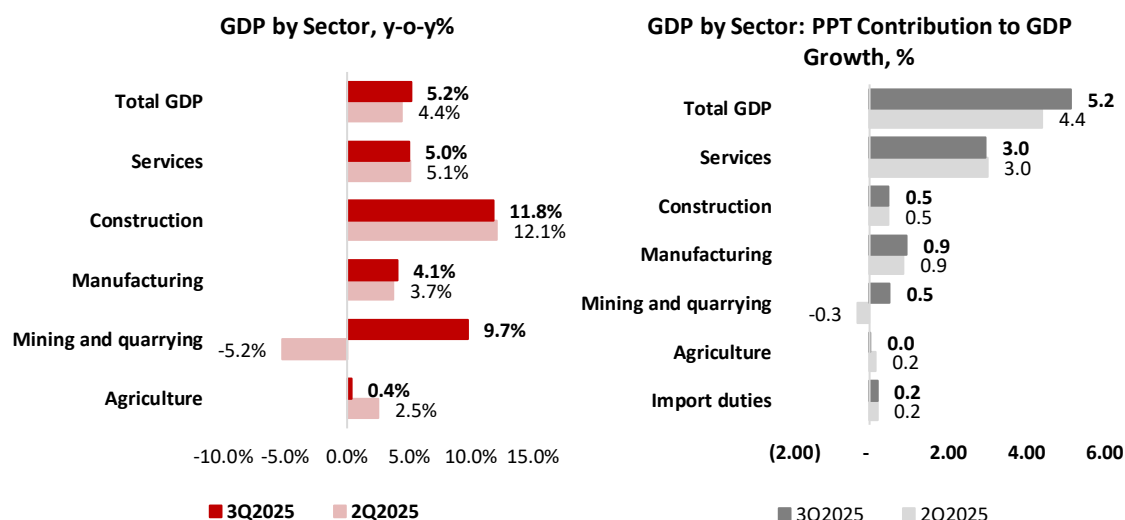


Sources: Department of Statistics Malaysia (DOSM), Bank Islam

- External trade dynamics in 3Q25 showed a modest improvement, with net exports strengthening primarily due to weaker import growth rather than a robust rebound in exports. Softer investment activity reduced demand for intermediate and capital goods, while slower private consumption weighed on imports of consumer products. The strong growth in net exports was particularly notable, surging by 17.7% following a sharp contraction of 72.6% in 2Q25. This rebound largely reflected a marked slowdown in imports of goods and services, which rose just 0.4% compared with 6.6% in the previous quarter. Imports of goods edged

down by 0.1% (2Q25: +7.2%), while imports of services grew more slowly at 2.2% (2Q25: +4.2%). On the export side, growth moderated, with total exports of goods and services rising 1.4% YoY, compared with a 2.6% gain in 2Q25. Goods exports grew marginally by 0.3% (2Q25: +1.4%), while services exports slowed to 6.7% YoY (2Q25: 8.0%). Overall, the net export recovery underscores the cyclical influence of softer import demand rather than a broad-based export upswing.

- Domestic demand remains resilient in 3Q2025.** Domestic demand continued to anchor overall growth in 3Q2025, though slowing to 5.8% (2Q2025: 7.0%). Private consumption remained the key growth driver, rising 5.0% y-o-y (2Q2025: 5.3%) and contributing 3.1 percentage points (ppt) to overall GDP. This was largely supported by robust household spending amid a healthy labour market, stable inflation and strong retail and tourism activity. The government's continued initiatives to raise household incomes through targeted social support programs such as the Sumbangan Tunai Rahmah (STR), Sumbangan Asas Rahmah (SARA) and BUDI MADANI RON95 (BUDI95) also further bolstered consumer spending. This was reflected in public consumption which grew at a faster pace of 7.1% (2Q2025: 6.4%). Meanwhile, gross fixed capital formation (GFCF) moderated to 7.4%, down from 12.1% in 2Q2025, as both private and public investment slowed to 7.3% y-o-y (2Q2025:11.8%) and 7.4% y-o-y (2Q2025:13.6%), respectively. By asset type, machinery and equipment eased sharply to 4.3% y-o-y (2Q2025: 16.6%), while structure and other assets expanded by 10.4% y-o-y (2Q2025: 10.5%) and 3.0% y-o-y (2Q2025: 0.3%), respectively.



Sources: Department of Statistics Malaysia (DOSM), Bank Islam

- Recovery in mining sector boosts GDP growth.** The mining sector showed a remarkable turnaround in 3Q2025, reviving substantially to 9.7% y-o-y (2Q2025: -5.2%) after fourth consecutive quarters of decline, driven by broad-based expansion across all subsectors. In terms of contribution, the sector added 0.5 ppt to overall growth, reversing the 0.3 ppt drag seen in the previous quarter. Within the sector, natural gas which accounts for 54.2% of total mining GDP, rebounded sharply by 11.6% (2Q2025: -8.1%). Meanwhile, crude oil and condensates rose 8.3% y-o-y (2Q2025: -1.6%), and other mining and supporting services grew 5.3% (2Q2025: -2.9%), reflecting a broad-based recovery across the industry.
- Services and manufacturing sectors continue robust growth.** The services (5.0%, 2Q2025: 5.1%) and manufacturing (4.1%, 2Q2025: 3.7%) sectors, which together account for nearly 80% of total GDP, remained strong during the quarter, contributing 3.9 ppt to overall growth. Tourism-related subsectors performed

well, including retail trade (4.3%; 2Q2025: 3.8%), food and beverages (8.1%; 2Q2025: 7.2%), and accommodation (13.8%; 2Q2025: 14.5%). The water sewerage and waste management segment also registered solid growth of 3.5% y-o-y (2Q2025: 1.7%), its highest level since 2Q2023 (7.0%). Meanwhile, the manufacturing sector was heavily supported by robust growth in electronic components & boards, communication equipment and consumer electronics subsector, expanding 9.1% (2Q2025: 8.2%). At the same time, the construction sector maintained its double digit growth at 11.8% (2Q2025: 12.1%). In contrast, agriculture only grew marginally by 0.4% (2Q2025: 2.5%), weighed down by contraction in oil palm (-0.7%; 2Q2025: 5.3%) and rubber (-11.1%; 2Q2025: -10.6%).

- Malaysia's full-year 2025 GDP growth revised upward to 4.6%.** Malaysia's full-year GDP growth for 2025 has been revised to 4.6%, up from the earlier forecast of 4.2%, reflecting stronger-than-expected performance in 3Q2025. Front-loading activities continued during the quarter, supported by improved exporter sentiment following greater clarity on U.S. tariff measures, which largely exempt Malaysia's major export categories. Stronger confidence and front-loading strategies were reflected in the export figures, which jumped 12.2% y-o-y in the final month of the quarter, particularly manufacturing exports that rising by 12.5% (August: 1.5%). Nonetheless, growth is expected to lose some traction in 4Q2025 as temporary lift from accelerated shipment earlier fades and the revised U.S. tariff regime begins to influence trade flows more clearly. The broader environment remains challenging, with global demand still uneven and geopolitical risks continuing to reshape trade and investment decisions. Businesses are also likely to face a period of adjustment as they recalibrate their production strategy and reconfigure supply routes in response to the new tariff framework, which could translate into higher short term costs. At the same time, the upswing in mining-related exports seen recently is unlikely to be sustained, as persistent declines in crude petroleum and LNG shipments amid lower crude oil prices continue to drag on overall sector performance.