BANK NEGARA MALAYSIA
CENTRAL BANK OF MALAYSIA

PRESS RELEASE

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Economic and Financial Developments in Malaysia in the Third Quarter of 2025

Press Conference Presentation Transcript

Global growth slowed in 3Q 2025, weighed by tariffs and uncertainty

Bank Negara Malaysia Governor Dato' Sri Abdul Rasheed Ghaffour said, 'Global growth slowed in the third quarter of 2025. Growth momentum in major economies was weighed down by tariffs while uncertainty remained elevated. Regional trade activity eased after an earlier surge to beat tariff deadlines, driven mainly by lower trade in electrical and electronics (E&E) and machinery and equipment (M&E). Inflation moderated especially in emerging economies, due to lower agricultural prices amid higher global supply.'

Malaysia's economy recorded a strong growth of 5.2% in 3Q 2025

Ketua Perangkawan Malaysia Dato' Sri Dr. Mohd Uzir Mahidin *berkata, "Pada suku ketiga 2025, ekonomi Malaysia berkembang sebanyak 5.2%. Peningkatan ini didorong oleh perbelanjaan isi rumah yang terus mampan dengan pasaran pekerja yang positif, aktiviti pelaburan yang stabil, serta pertumbuhan eksport yang berterusan disokong oleh sektor E&E, aktiviti pelancongan yang kukuh serta pemulihan eksport berkaitan perlombongan.*

"Dari segi pengeluaran, sektor perkhidmatan meningkat sebanyak 5.0%, sektor pembuatan sebanyak 4.1%, sektor pertanian berkembang sebanyak 0.4% dan sektor perlombongan dan pengkuarian pulih sebanyak 9.7%. Manakala, sektor pembinaan pula terus meningkat dua digit kepada 11.8%.

”Sementara itu, dari sudut permintaan, perbelanjaan penggunaan isi rumah meningkat sebanyak 5.0%, pelaburan sektor swasta dan awam masing-masing meningkat sebanyak 7.3% dan 7.4%. Perbelanjaan Kerajaan bertumbuh sebanyak 7.1%. Manakala, eksport bersih negara pulih sebanyak 17.7%.

”Bagi terma pelarasan musim suku tahun ke suku tahun, KDNK menunjukkan peningkatan yang lebih kukuh sebanyak 2.4%, berbanding 2.2% pada suku kedua 2025.”

Chief Statistician of Malaysia Dato’ Sri Dr. Mohd Uzir Mahidin said, ‘In the third quarter of 2025, the Malaysian economy recorded a strong growth of 5.2%. This was supported by sustained household spending, steady investment activities, and continued export growth, supported by E&E sector, robust tourism activity and strong recovery in mining-related exports. On a seasonally adjusted quarter-on-quarter basis, GDP showed stronger growth momentum of 2.4%, higher than the 2.2% recorded in the second quarter of 2025.’

Growth driven by sustained domestic demand and higher net exports

Chief Statistician of Malaysia Dato’ Sri Dr. Mohd Uzir Mahidin said, ‘On the expenditure side, domestic demand was driven mainly by sustained domestic demand and higher net exports. Private consumption was supported by positive labour market conditions and policy measures. Meanwhile, investment growth was driven by further capacity expansion by firms and robust construction activities, as well as continued capital expenditure by public corporations. On the external front, the expansion in net export was driven by improving exports and a sharper moderation in imports, particularly for intermediate and capital imports.

‘On the supply side, all sectors continued to expand. Sustained growth in the services sector was driven by consumer-related sectors. The manufacturing sector registered a higher growth driven by stronger production in E&E and consumer-related goods. The construction sector continued to record robust growth across all subsectors. In the commodities sectors, the agriculture sector

experienced a moderation driven by slower growth in rubber, oil palm and other agriculture sub-sectors. However, the rebound in mining sector reflected recovery in LNG and crude oil production from post-planned maintenance.'

Improvement in current account surplus with higher FDI inflows

Chief Statistician of Malaysia Dato' Sri Dr. Mohd Uzir Mahidin said, 'The current account of the balance of payments recorded a higher surplus of RM12.2 billion or 2.4% of GDP in the third quarter of 2025 (2Q 2025: RM0.3 billion; 0.1%). This was mainly due to higher goods account surplus, reflecting improved manufacturing and mining-related exports, amid lower capital and intermediate imports. The services account turned into a surplus for the first time since 3Q 2011, supported mainly by higher travel receipts and construction-related services. This marks a significant milestone after 56 quarters since the last surplus, supported by solid growth in the travel component. FDI recorded an inflow of RM8.5 billion during the quarter (2Q 2025: RM1.6 billion), mainly due to larger equity injections. These FDIs were channelled mainly into the services sector, predominantly into ICT and financial services subsectors. The FDIs were primarily from Singapore, China and Japan. These equity injection inflows were partially offset by outflows in reinvestment of earnings, amid regular dividend payments and losses registered by several foreign companies in the manufacturing sector.'

Global growth and trade to moderate further in 2026, as tariffs take effect

Bank Negara Malaysia Governor Dato' Sri Abdul Rasheed Ghaffour said, 'Let me now continue with the outlook of the economy. Global growth and trade are expected to moderate further in 2026, reflecting the full impact of tariffs. The negative effects of tariffs and uncertainty, however, will be partly cushioned by fiscal support and monetary policy easing, which will help sustain domestic demand. Supportive labour market conditions in major developed and emerging economies will also continue to aid consumption activity. Meanwhile, global inflation is expected to moderate further, driven by lower commodity prices, softer demand conditions, and a weaker dollar.'

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Growth in 2026 will be driven by domestic demand

Bank Negara Malaysia Governor Dato' Sri Abdul Rasheed Ghaffour said, 'Malaysia's economy grew by 4.7% in the first nine months of 2025, well within our forecast range of 4.0 – 4.8%. In fact, at this rate, for 2025, we may record a growth that is closer to the upper range of this forecast.

'Moving into 2026, as announced by the MOF last month, economic growth is expected to expand between 4.0 – 4.5% and to be driven by domestic demand. Household spending will be supported by continued employment and wage growth, income-related policy measures and additional cash transfers. Furthermore, investment activities will be sustained amid progress of infrastructure projects, realisation of approved investments and implementation of national master plans. On the external front, we expect moderate exports performance, as tariff and global demand pressures will be offset by continued demand for E&E goods, inbound tourism and recovery in the mining-related exports.'

Household spending continues to anchor growth

Bank Negara Malaysia Governor Dato' Sri Abdul Rasheed Ghaffour said, 'Consumer spending will continue to be the backbone of Malaysia's economic growth supported mainly by positive labour market conditions. Going forward, household spending is expected to remain resilient driven by continued employment and wage growth, particularly in domestic-oriented sectors, as well as income-related policy measures. Moreover, healthy household balance sheet and Government's cash assistance programmes will provide additional support to consumer spending.'

Continued expansion in both private and public sectors investment activities

Bank Negara Malaysia Governor Dato' Sri Abdul Rasheed Ghaffour said, 'Growth will also be supported by continued expansion in investment activity. Recent trends continued to reflect strong investment growth across both structures and machinery & equipment. Forward looking indicators from the

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latest investment approvals by MIDA point towards steady investment momentum, underpinned by healthy pipeline of planned investments. Furthermore, the continued implementation of multi-year public projects and high realisation of approved private investments will make the domestic investment landscape more resilient.'

Leveraging on data centres to harness new growth opportunities

Bank Negara Malaysia Governor Dato' Sri Abdul Rasheed Ghaffour said, 'The data centre industry has grown exponentially. In fact, it is one of our largest FDI contributors in the recent period. There are signs that data centres have started to contribute to Malaysia's ICT services exports. Between Jan-Sept 2025, based on BNM's internal Cash BOP data, data centre exports of services amounted to RM10.7 billion, significantly higher compared to the same period last year (Jan-Sept 2024: RM1.2 billion). However, success goes beyond numbers alone. It is also about ensuring that these investments create long term benefits for the nation. The reality is that data centres demand significant energy and water resources, while generating relatively fewer direct employment, despite it being high paying. The key to successfully maximising the spillovers from data centre lies in effective strategies and policy execution, focusing on strengthening both forward and backward economic linkages to develop industries within the data centre ecosystem, managing externalities from resource consumption and current account pressure through sustainable resource management and reducing import dependency and developing future ready talent equipped with industry-relevant skills.'

Slower imports relative to exports supports current account outlook

Bank Negara Malaysia Governor Dato' Sri Abdul Rasheed Ghaffour said, 'Domestic exports, which refers to exports of goods locally produced has broadly moderated from the highs observed in 2024, but is slowly recovering as slower exports to the United States were offset by higher exports to other markets, such as the European Union, Australia, and Mexico. Additionally, exports of E&E products, which make up 39% of our domestic exports in 2025,

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have remained resilient, offsetting drag from certain segments of non-E&E exports.

‘Meanwhile, import growth eased, partly reflecting base effect from the surge in capital imports in 3Q 2024. This slower pace of imports relative to exports contributed favourably to the trade balance, with 3Q 2025 recording Malaysia's largest trade surplus since 2023, supporting the current account surplus.

‘Moving forward, the current account will be underpinned by resilient E&E exports amid continued AI-related demand, as well as recovering mining-related exports post-scheduled maintenance work. However, exports may still face some headwinds as the full impact of tariffs are realised. Higher tourism activity, supported by improved flight connectivity, visa exemptions and promotional efforts amid Visit Malaysia Year 2026 will provide further support.’

Overall growth is subject to both downside and upside risks

Bank Negara Malaysia Governor Dato’ Sri Abdul Rasheed Ghaffour said, ‘For 2026, the growth outlook is subject to both upside and downside risks. Downside risks include further slowdown in trade as a result of higher tariffs, weaker sentiment from uncertainty affecting spending and investment, as well as lower-than-expected commodity production. On the other hand, growth could be higher with more pro-growth policies in major economies, favourable outcomes from remaining US trade negotiations, higher demand for E&E goods, as well as more robust tourism activity.’

Headline inflation remained stable in 3Q 2025 while core inflation edged higher

Bank Negara Malaysia Governor Dato’ Sri Abdul Rasheed Ghaffour said, ‘Headline inflation remained unchanged during the quarter while core inflation increased, averaging 1.3% and 2.0% respectively. The higher core inflation added some upward pressure on headline inflation. However, this was offset by declines in some administered prices, namely electricity and diesel, which kept headline inflation stable for the quarter. In part, the lower administered prices

reflected the impact of recent policies, namely the electricity tariff restructuring, which resulted in lower electricity bills for most Malaysian households.'

Inflation is projected to remain moderate

Bank Negara Malaysia Governor Dato' Sri Abdul Rasheed Ghaffour said, 'Looking ahead, headline inflation is expected to remain moderate, ranging between 1.0% to 2.0% in 2025 and 1.3% to 2.0% in 2026. This reflects steady domestic demand and moderate cost conditions, as well as the Government's continued efforts to cushion the impact of domestic policy reforms on most households.

'In terms of risks, the outlook for both 2025 and 2026 remains largely subject to global trade and geopolitical uncertainties. Upside risks could stem from renewed trade uncertainties or escalations in geopolitical tensions, which could drive up global commodity prices and raise imported costs. At the same time, there could also be broader spillover effects from domestic policy measures, such as the SST expansion, but these are expected to remain limited. On the downside, inflation could ease further if global growth weakens, leading to softer commodity prices, weaker export demand, and more moderate domestic demand conditions. In addition, the sustained easing in input costs from a stronger ringgit could exert further downward pressure on inflation.'

The OPR was maintained at 2.75% at the November 2025 MPC meeting

Bank Negara Malaysia Governor Dato' Sri Abdul Rasheed Ghaffour said, 'Turning to monetary policy, the OPR was maintained at 2.75% at the recent November MPC meeting. We expect resilient domestic demand to continue driving Malaysia's economy in 2026, while inflation is projected to remain moderate. Given these domestic prospects, we assessed that the current monetary policy stance remains appropriate and supportive of the economy amid price stability. The earlier OPR reduction in July is also working its way through the economy and will lend some support to growth into 2026. The MPC will continue to monitor ongoing developments and assess the balance of risks surrounding the outlook for domestic growth and inflation.'

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The ringgit appreciated against currencies of most trading partners in 3Q 2025

Bank Negara Malaysia Governor Dato' Sri Abdul Rasheed Ghaffour said, 'In the third quarter of 2025, the ringgit appreciated by 0.8% on a nominal effective exchange rate (or NEER) basis against the currencies of Malaysia's major trading partners. The ringgit also remained broadly stable against the US dollar during this period. Year-to-date, as of 12 November 2025, the ringgit has appreciated by 5.3% on a NEER basis and by 8.2% against the US dollar.

'The ringgit's movement was driven by both external and domestic factors. Externally, the US Federal Reserve's monetary policy easing in September, coupled with expectations of further rate cuts amid growing concerns over the US economy's outlook, helped support the ringgit. Additionally, a reduction in tariff-related uncertainties, although they remain elevated, provided further support to the ringgit during the quarter.

'On the domestic front, Malaysia's positive economic prospects together with the Government's commitments on structural reforms and fiscal sustainability have become more visible. This will continue to provide medium-term support to the ringgit. BNM will continue to ensure the orderly functioning of the domestic foreign exchange market and two-way flow through the coordinated efforts with the Government and corporates.

'This includes through the full implementation of the Qualified Resident Investor or QRI programme which was rolled out in July 2025. The programme, which provides foreign exchange policy flexibility to encourage resident corporates to repatriate foreign currency investment income and convert into ringgit, has yielded encouraging results. As of 3Q 2025, more than USD2 billion of inflows have been recorded under this programme.'

Higher credit growth amid increase in credit for businesses

Bank Negara Malaysia Governor Dato' Sri Abdul Rasheed Ghaffour said, 'In the third quarter of 2025, credit growth to the private non-financial sector

expanded by 5.9% following an increase in credit to businesses. This was supported by higher growth in outstanding corporate bonds and business loans which grew by 7.3% and 5.4%, respectively, in the quarter. The higher growth in outstanding business loans was mainly driven by increase in investment-related loans, particularly among non-SMEs. For households, outstanding loans grew by 5.7% amid some moderation in loan growth for personal use. Average lending rates on outstanding loans, which includes household and business loans, declined by 21 basis points. This reflects an effective pass-through from the recent 25 basis points reduction in the OPR in July.'

Financing continues to support SME activities in 3Q 2025

Bank Negara Malaysia Governor Dato' Sri Abdul Rasheed Ghaffour said, 'In 3Q 2025, banks and DFIs continued to support SMEs' activities, with steady outstanding financing growth at 8.1%. (3Q24: 8.9%). Across three quarters in 2025, we saw a consistent upward momentum in financing supply for SMEs. More positively, financing repayments has kept pace with disbursements, reflecting sustained borrower capacity amid ongoing economic uncertainty. Financing approvals improved in the quarter across working capital and investment-related purposes, particularly in the services sector.'

Banks remain well-positioned to support financial intermediation

Bank Negara Malaysia Governor Dato' Sri Abdul Rasheed Ghaffour said, 'The banking system continued to play an important role in supporting economic growth during the quarter. Banks' strong financial positions, including capital and liquidity buffers, ensure that they remain well-positioned to meet the domestic economy's financing needs. The quality of business and household loans remains sound, with low and stable impairment ratios. Newly restructured and rescheduled (R&R) loans are also limited. This has been supported by strong loan affordability assessments and prudent provisioning practices by banks, which help ensure banks maintain sufficient buffers to absorb losses.'

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Summary

Bank Negara Malaysia Governor Dato' Sri Abdul Rasheed Ghaffour said, 'The Malaysian economy recorded a strong growth of 5.2% in the third quarter of 2025, driven by sustained household spending, steady investment activities and higher net exports.

'Given lingering global uncertainty, the balance of risk is subject to both downside and upside risk, while headline inflation is expected to remain moderate in 2025.

'Malaysia's economy grew by 4.7% in the first nine months of 2025, within the official forecast range of 4.0 – 4.8%, reflecting our continued resilience in the face of global challenges.

'Looking ahead, global economic conditions will remain challenging, and we need to keep strengthening our economic buffers to weather any headwinds that may come our way. '

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