# Malaysia's GDP Grew Stronger than Expected at +4.5%yoy in 2QCY25, Based on Advance Estimate

ECONOMIC REVIEW:
Advance 2QCY25 GDP



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Economic Review

- GDP growth expanded more than expected. Based on the advance estimate, Malaysia's GDP growth accelerated to +4.5%yoy in the 2QCY25 (1QCY25: +4.4%yoy). The growth was more than expected vis-à-vis our estimate (+4.0%yoy) and market consensus (+4.2%yoy). Apart from the services and plantation sectors, most sectors experienced a moderation in growth during the quarter.
- GDP turned positive to +1.0%qoq. On a quarter-on-quarter basis, Malaysia's GDP turned +1.0%qoq in the 2QCY25 (1QCY25: -3.5%qoq) based on data which is not seasonally adjusted. All sectors, except mining & quarrying, grew during the quarter.
- Still expecting Malaysia's GDP growth to moderate to +4.0% for the year. Malaysia's GDP is projected to expand at a more moderate rate of +4.0% this year, down from +5.1% in 2024, underpinned by sustained domestic expenditure.

**GDP growth expanded more than expected**. Based on the advance estimate, Malaysia's GDP growth accelerated slightly to +4.5%yoy in the 2QCY25 (1QCY25: +4.4%yoy). The growth was stronger than expected vis-à-vis our estimate (+4.0%yoy) and market consensus (+4.1%yoy). Apart from the services and plantation sectors, most sectors experienced a moderation in growth during the quarter. Services and manufacturing sector remained the major contributor to GDP growth although the sector's growth picked up to +5.3%yoy (1QCY25: +5.0%yoy) underpinned by growth in retail trade, transportation & storage, and business services being main contributors. Meanwhile, growth in the manufacturing sector was sustained for the 6th straight quarter, although the pace of growth moderated slightly to +3.8%yoy (1QCY25: +4.1%yoy). The continued growth in 2Q was driven by higher output of E&E & optical devices, vegetable and animals' oil & fats and food processing products and non-metallic mineral products, basic metal & fabricated metal products. Meanwhile, mining & quarrying sector continued to decline, contracted at a sharper pace to -7.4%yoy (1Q25: -2.7%yoy) due to reduced output in natural gas. Agriculture sector, on the other hand, rebounded to +2.0%yoy (1QCY25: +0.6%yoy) following higher growth in palm oil, other agriculture and livestock sub-sectors; the rubber sub-sector, on the other hand, contracted. Construction continued to contribute positively and sustained double-digit growth albeit relatively slower at +11.0%yoy (1QCY25: +14.2%yoy), supported by growth in specialised construction activities and residential sector. The expansion in GDP growth was also attributable to the public sector wage increase, higher spending during both Hari Raya Aidilfitri and Aidiladha, and school holidays. Meanwhile, the resilient retail sales performance supported by the healthy labour market prop up the consumer spending. However, exports performed well in Apr-25 as the exports accelerated in Apr-25 boosted by front-loading, as robust exports performance rose by +16.4%yoy in Apr-25 (Mar-25: +2.2%yoy), as companies frontloaded production and deliveries ahead of the announcement of reciprocal tariffs by the US, which could hurt external trade outlook going forward.

**Table 1: Malaysia's Real GDP Growth by Major Sectors**

| | Quarterly Basis (QoQ %)* | | | | Yearly Basis (YoY %) | | | |
|---|---|---|---|---|---|---|---|---|
| | 3Q24 | 4Q24 | 1Q25 | 2Q25[a] | 3Q24 | 4Q24 | 1Q25 | 2Q25[a] |
| **GDP** | **4.7** | **2.4** | **(3.5)** | **1.0** | **5.4** | **4.9** | **4.4** | **4.5** |
| Agriculture | 15.6 | (11.6) | (7.7) | 8.1 | **3.6** | (0.7) | 0.6 | 2.0 |
| Mining & Quarrying | (6.2) | 17.3 | (2.5) | (13.6) | (2.8) | (0.7) | (2.7) | (7.4) |
| Manufacturing | 4.4 | **1.9** | (3.7) | 1.3 | 5.6 | 4.2 | 4.1 | 3.8 |
| Construction | 8.5 | (0.8) | 2.2 | 0.9 | 20.0 | 20.7 | 14.2 | 11.0 |
| Services | 4.3 | 3.2 | (3.4) | 1.3 | 5.2 | 5.5 | 5.0 | 5.3 |

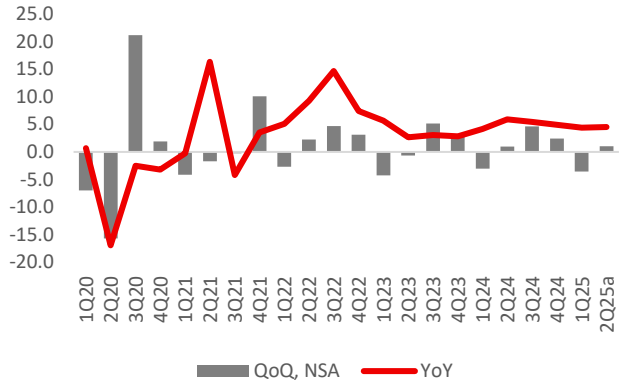
[a] Advance estimate * non-seasonally adjusted
Source: DOSM, MIDFR

**GDP turned positive to +1.0%qoq.** On a quarter-on-quarter basis, Malaysia's GDP turned +1.0%qoq in the 2QCY25 (1QCY25: -3.5%qoq) based on data which is not seasonally adjusted. All sectors, except mining & quarrying, grew during the quarter. The increase in GDP growth in the 2QCY25 is in line with the strength in the wholesale and retail trade, as the services sector rebounded to +1.3%qoq (1QCY25: -3.4%qoq) as distributive trade growth bounced back to average increase of +1.7%qoq in Apr-May-25 (1QCY25: -0.1%yoy) underpinned by stronger growth in wholesale trade (+1.5%qoq; 1QCY25: +0.7%qoq) and retail trade (+1.3%qoq; 1QCY25: +1.3%qoq). Meanwhile, the construction sector remained growth (+0.9%qoq; 1QCY25: +2.2%qoq). We expect continued progress in the infrastructure projects will continue to support the robust in the construction sector. Meanwhile, manufacturing growth turned positive to +1.3%qoq (1QCY25: -3.7%yoy) from the previous quarter partly supported by the strong jump by +16.4%yoy in Apr-25, boosted by the front-loading activities ahead of the US tariff measures. On top of that, the agriculture sector recorded strong positive turnaround to +8.1%yoy in the 2QCY25 (1QCY25: -7.7%yoy), attributed to improved production of palm oil production and lower natural rubber output. Meanwhile, mining and quarrying contracted faster to -13.6%yoy in the 2QCY25 (1QCY25: -2.5%yoy), as lower production of crude petroleum and natural gas. Growth in the services sector is projected to be supported by robust domestic demand. Conversely, the manufacturing and commodity sectors face the risk of continued sequential decline should demand soften in light of higher tariffs and elevated trade tensions

**Domestic demand still the pillar for growth.** We expect that domestic spending continued to grow as shown by the resilient retail trade (average Apr-May 2025: +4.8%yoy; 1QCY25: +6.9%yoy) supported by the strong labour market, with higher employment and wage growth, added with the low and stable inflation and targeted fiscal measure will provide support to consumer purchasing power. Meanwhile, investment activities likely continue to grow during the quarter, given the sustained growth in construction sector. On another note, we expect net exports to provide only a moderate contribution to growth in 2QCY25, following a significant narrowing of the goods trade surplus to +RM14.5b (1QCY35: +RM41.0b), representing a sharp -54.8%yoy decline from +RM32.0b recorded in 2QCY24**.** In other words, while net exports will remain a positive contributor to GDP growth, the impact is expected to be marginal, as export growth (+3.5%yoy) during the quarter was outpaced by the stronger growth in goods imports (+9.1%yoy).

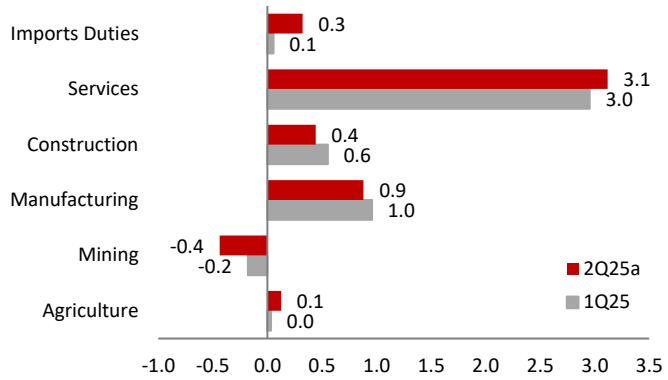
**Still expecting Malaysia's GDP growth to moderate to +4.0% for the year.** Malaysia's GDP is projected to expand at a more moderate rate of +4.0% this year, down from +5.1% in 2024, underpinned by sustained domestic expenditure. This latest forecast incorporates an anticipated deceleration in external trade, largely attributed to an expected slowdown in demand growth from key markets such as the US, following the recently announced tariff increases by the US government. Nevertheless, we foresee a potential for a slight upward revision to our baseline forecast, contingent on the favourable outcome of ongoing trade negotiations with the US, for which we hold a positive outlook regarding Malaysia's position. We believe Malaysia is well-positioned to sustain positive economic growth, despite the global trade tensions to further dampen the external trade outlook. This resilience is underpinned by robust domestic consumption, driven by favourable labour market conditions, rising disposable incomes, ongoing government cash assistance programs, and a resurgence in tourist spending. However, we think that the downside risk towards domestic consumption is the resurgence of inflationary pressure due to the policy changes such SST expansion programme and subsidy rationalisation which could constrain domestic consumption outlook for the 2HCY25. Nevertheless, we acknowledge that policy uncertainties and persistently weaker external demand could constrain activities in export-oriented sectors, potentially affecting growth in manufacturing, mining, and agriculture in the coming quarters.

**Chart 1: Real GDP: Year-on-Year vs. Quarter-on-Quarter (%)**



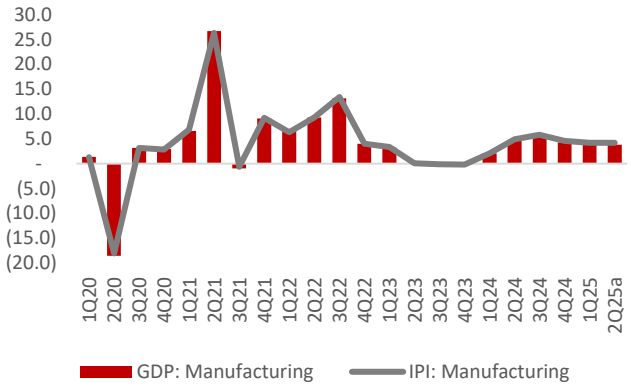

[a] Advance estimate
Source: Macrobond, DOSM, MIDFR

**Chart 2: Contribution to 2QCY25 GDP Growth by Major Sector (%-point)**



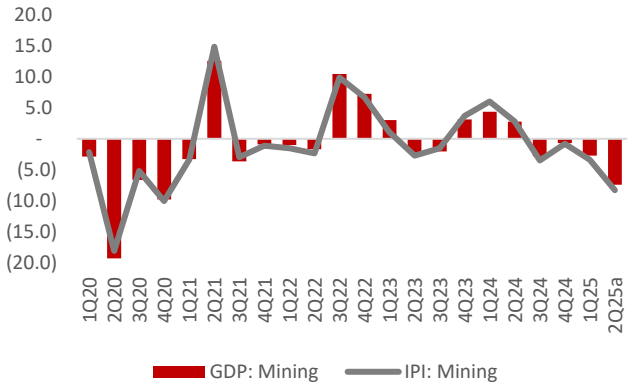

[a] Advance estimate
Source: Macrobond, DOSM, MIDFR

**Chart 3: Manufacturing GDP vs Manufacturing IPI (YoY%)**



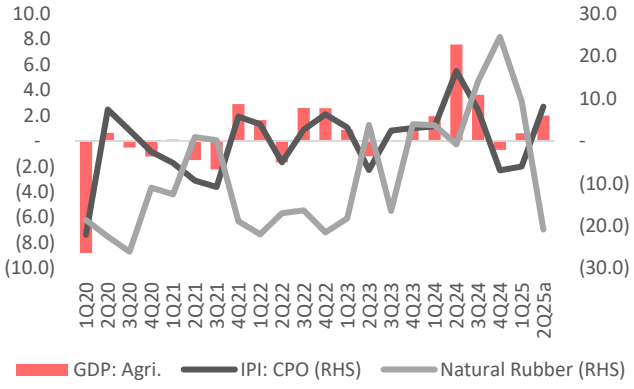

[a] Advance estimate
Source: Macrobond, DOSM, MIDFR

**Chart 4: Mining GDP vs Mining IPI (YoY%)**



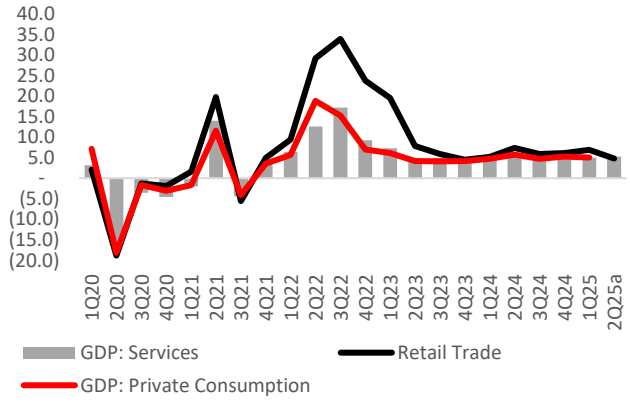

[a] Advance estimate
Source: Macrobond, DOSM, MIDFR

**Chart 5: Agriculture GDP vs CPO IPI vs Natural Rubber Output (YoY%)**




[a] Advance estimate
Source: Macrobond, MIDFR

**Chart 6: Services GDP vs Private Consumption vs Retail Trade (YoY%)**




[a] Advance estimate
Source: Macrobond, MIDFR

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