

# ECONOMIC DIGEST

20 May 2025

## 1Q GDP cools, within long term growth potential

- Malaysia's **1Q 2025 GDP growth moderated to 4.4% YoY** (4Q 2024: 4.9%), the lowest since 1Q 2024 (4.2%) but matched the advance estimate. On a **QoQ seasonally adjusted basis**, the economy rebounded by 0.7% (4Q: -0.2%).
- On the expenditure side (*refer to Table 1*), the **public sector drove overall performance**, with both consumption and investment expanding at a faster pace, buoyed by higher emoluments and stronger fixed assets purchases by the Government and public corporations. **Private sector growth was still respectable**, notwithstanding a **tepid slowdown** in the lead up to **escalation in trade tension and heightened uncertainties** which may have **spilled over to domestic demand**. Private investment growth eased to high single-digit rate of 9.2%, after three consecutive quarters of double-digit growth. Approximately 30% of investments are in the export-oriented sectors, hence may be exposed to vulnerabilities.
- Although moderated marginally, **private consumption growth came in at 5.0%** (4Q: 5.3%), thanks to upward adjustment in civil servant salaries (started Dec 2024), higher minimum wage of RM1.7k (effective Feb 2025) as well as festive seasons spending such as Chinese New Year and Hari Raya.
- Externally, **net export growth narrowed to 19.6%** (4Q: 63.6%), as **export eased faster than that of imports**. While still expanding, the growth pace of both exports of goods (1Q: 1.6% vs 4Q: 6.6%) and services (1Q: 16.9% vs 4Q: 19.5%) have slowed. Nonetheless, we view that **exporters may gain in the short term due to front-loading activities** amid the reciprocal tariff's 90-day pause and ongoing negotiations.
- By sector (*refer to Table 2*), **services, construction, and manufacturing sectors expanded at a slower pace** while the mining sector contracted. On the other hand, the agriculture sector returned to growth.
- Overall, 1Q GDP performance signals a **weak start to the year** as it slipped off the official 2025 GDP forecast range (4.5% - 5.5%) and the path seems to be **more challenging moving forward with the unfolding of trade war and geopolitical tensions** that may **drag on domestic demand** – circa 30% of labour income and 20% of employment are from external-oriented sectors. Moreover, **rising cost environment** including higher medical insurance premium, upcoming RON95 subsidy rationalisation alongside SST expansion and electricity tariff hike are likely to **weigh on consumption**.
- IMF and World Bank has revised Malaysia's 2025 GDP growth projection downward to 4.1% and 3.9% (previously: 4.7% and 4.5%) respectively. While DOSM's Leading Index in Feb 2025 stood at 112.4 points (Jan: 112.6), its smoothed long-term trend remained below 100.0 points signaling that **the economy will remain moderate in the four to six months ahead**. As such, **we are currently reviewing our 2025 GDP forecast** range of 4.5% - 5.0% alongside other macro indicators, depending on the outcomes of ongoing negotiations with the US.

Figure 1: Quarterly Real GDP

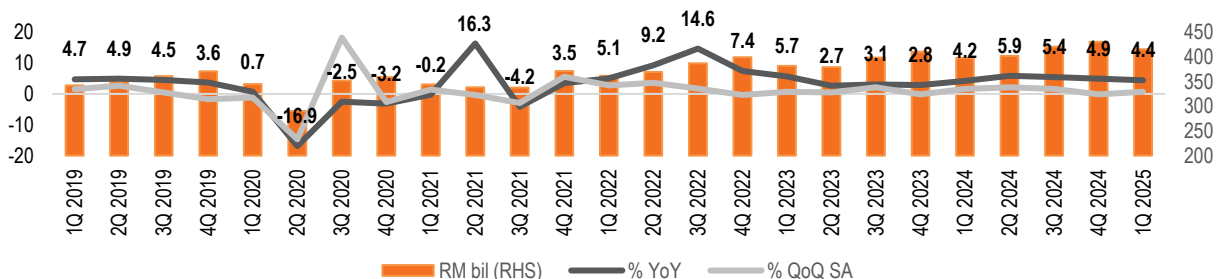

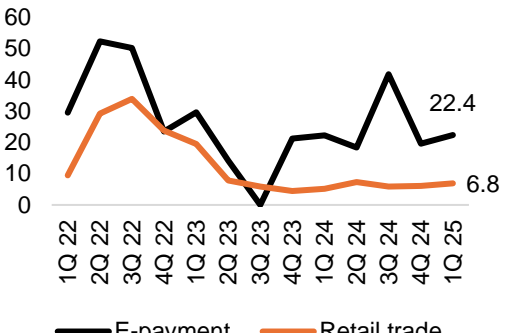

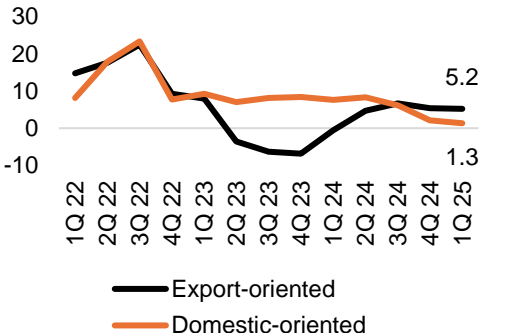


Table 1: GDP by expenditure components (2015p)	Share 2024 (%)	2024					2025
		1Q	2Q	3Q	4Q	Year	1Q
		Annual growth (%)					
<b>Aggregate domestic demand</b>	<b>95.2</b>	<b>6.1</b>	<b>6.5</b>	<b>7.1</b>	<b>6.4</b>	<b>6.5</b>	<b>6.0</b>
Private consumption	60.7	4.7	5.7	4.7	5.3	5.1	5.0
Public consumption	13.2	7.3	1.8	6.0	4.0	4.7	4.3
Private Investment	16.5	9.2	12.0	15.6	12.7	12.3	9.2
Public investment	4.8	11.5	9.1	14.4	10.0	11.1	11.6
<b>Net exports</b>	<b>4.2</b>	<b>(8.3)</b>	<b>0.3</b>	<b>(5.3)</b>	<b>63.6</b>	<b>9.2</b>	<b>19.6</b>
Exports of goods & services	68.1	4.2	8.5	11.7	8.7	8.3	4.1
Imports of goods & services	63.9	5.2	9.0	13.0	5.9	8.2	3.1
<b>Real GDP</b>	<b>-</b>	<b>4.2</b>	<b>5.9</b>	<b>5.4</b>	<b>4.9</b>	<b>5.1</b>	<b>4.4</b>

Economic Activities	Details
 <h3>SERVICES</h3> <p><b>Figure 2: Retail trade &amp; e-payment transactions (% YoY)</b></p>  <p>— E-payment — Retail trade</p>	<ul style="list-style-type: none"> <li>Services sector <b>moderated slightly</b> to 5.0% YoY in 1Q 2025 (4Q 2024: 5.5%). <b>Accommodation, real estate, and transportation &amp; storage</b> retained the top 3 growth in 1Q, albeit softening. Meanwhile, <b>wholesale &amp; retail trade, govt services</b> and <b>water &amp; sewerage</b> subsectors expanded at a faster pace.</li> <li>Normalisation in motor vehicles sales and production amid high base effect has pushed <b>motor vehicles</b> into negative growth (1Q: -3.7%; 4Q: 2.2%). Likewise, <b>electricity &amp; gas</b> (1Q: -1.7%; 4Q: 3.1%) also dropped, the first time since 1Q 2023.</li> <li><b>Headwinds to be monitored closely.</b> Weaknesses in the manufacturing sector (i.e reduction in employees' wages &amp; layoff) may have <b>spill over effect to services demand</b> (e.g retail, F&amp;B). Currently, both services (1Q: 4.1% YoY; 4Q: 3.9%) &amp; manufacturing nominal wages (1Q: 1.8%; 4Q: 1.7%) continued to register growth.</li> </ul>
 <h3>MANUFACTURING</h3> <p><b>Figure 3: Manufacturing sales (% YoY)</b></p>  <p>— Export-oriented — Domestic-oriented</p>	<ul style="list-style-type: none"> <li>Manufacturing sector growth <b>ticked down to 4.1%</b> (4Q: 4.2%), due to contraction in <b>motor vehicles, petroleum &amp; chemical</b> and <b>paper &amp; paper products</b>.</li> <li>Conversely, <b>electronic components</b> (1Q: 8.3%; 4Q: 7.5%) and <b>electrical equipment</b> (1Q: 4.4%; 4Q: 2.3%) <b>grew faster</b> ahead of US tariff measures, in line with front-loading activities and sturdy global demand.</li> <li>Semiconductor is currently exempted from the reciprocal tariff. However, the risk is prevalent as our semiconductors are highly integrated into the global supply chain and is critically demanded in numerous industries. All MSIA members surveyed said that they are <b>unable to absorb tariff related costs</b> if any, with 75% members also conveyed that tariffs could <b>deter investment</b>.</li> <li>PMI continued to reflect a subdued demand (Apr: 48.6; Mar: 48.8). <b>Lack of new orders</b> is causing manufacturers to <b>scale back production</b> and the sector may face prolong weakness if the current trend persists.</li> </ul>

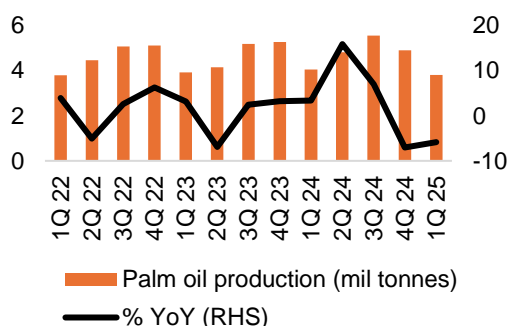
## Economic Activities

## Details



## AGRICULTURE

Figure 4: Crude palm oil production

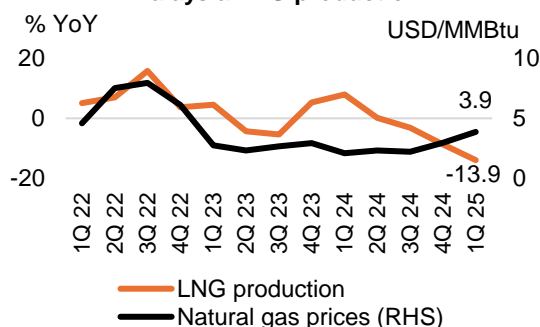


- Agriculture sector **rebounded** by 0.6% (4Q: -0.7%), uplifted by faster growth in marine fishing (10.3%) and livestock (1.9%).
- On the other hand, palm oil subsector remained in contraction at -3.1% (4Q: -5.3%), while forestry & logging fell deeper by -10.5% (4Q: -1.5%).
- Nonetheless, MPOB forecasts **CPO price to remain above historical level** this year at RM4k - RM4.3k (avg YTD 16 May 2025: RM4.3k; 2024: RM4.1k; avg 2015-2019: RM2.4k), which could partially compensate the sluggish CPO production.
- Industry experts foresee **CPO production to gradually improve** with the end of the inter-monsoon and pollination periods, and peak season (2H 2025).



## MINING &amp; QUARRYING

Figure 5: Natural gas prices vs Malaysia LNG production

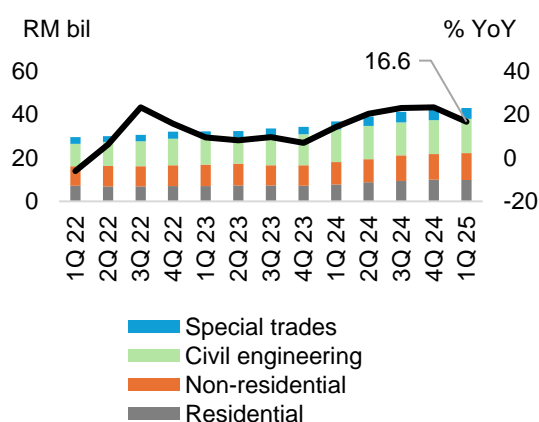


- Mining sector **dipped further** to -2.7% (4Q: -0.7%), the third consecutive quarter of contraction. This is mainly caused by a fall in natural gas production (1Q: -2.2% vs 4Q: 3.1%).
- This sector is likely to underperform in the near term, faced with a double whammy of routine scheduled maintenance that will **constrain local production** and **unfavourable global oil prices**.
- US EIA forecasts Brent crude oil at USD66 bpd in 2025 (avg YTD 16 May 2025: USD71.7; 2024: USD79.9; avg 2015-2019: USD57.8) pressured by global supply demand imbalance i.e. surplus expectation of 0.4 mil bpd in 2025 (2024: 0.1 mil; 2026f: 0.8 mil).



## CONSTRUCTION

Figure 6: Construction work done



- Construction sector **maintained its double-digit growth**, albeit at a slower pace of 14.2% (4Q: 20.7%).
- Looking ahead, major projects in the pipeline are expected to support the sector:
  - 1) Major transportation infrastructures; LRT Mutiara Penang (RM13 bil), Sarawak Sabah Link Road Phase 2 (RM7.4 bil), West Ipoh Span Expressway (RM6.2 bil), LRT3 Phase 2 (RM5.3 bil).
  - 2) Energy projects: TNB doubled its CAPEX to RM14.3 bil annually for the period 2025 - 2027 (2022 - 2024: RM6.9 bil annually).
  - 3) Ongoing data center investments, acceleration of 12<sup>th</sup> Malaysia Plan projects & spillover from the Johor - Singapore Special Economic Zone.

Table 2: GDP by economic activity (2015p)	Share 2024 (%)	2024					2025
		1Q	2Q	3Q	4Q	Year	1Q
		Annual growth (%)					
Services	59.4	4.8	5.9	5.2	5.5	5.3	5.0
Manufacturing	23.1	2.1	4.7	5.6	4.2	4.2	4.1
Agriculture	6.3	1.9	7.6	3.6	(0.7)	3.1	0.6
Mining	6.0	4.3	2.7	(2.8)	(0.7)	0.9	(2.7)
Construction	4.0	11.9	17.2	20.0	20.7	17.5	14.2
Real GDP	-	4.2	5.9	5.4	4.9	5.1	4.4

Figure 7: Percentage point (ppt.) contribution to GDP by economic activities

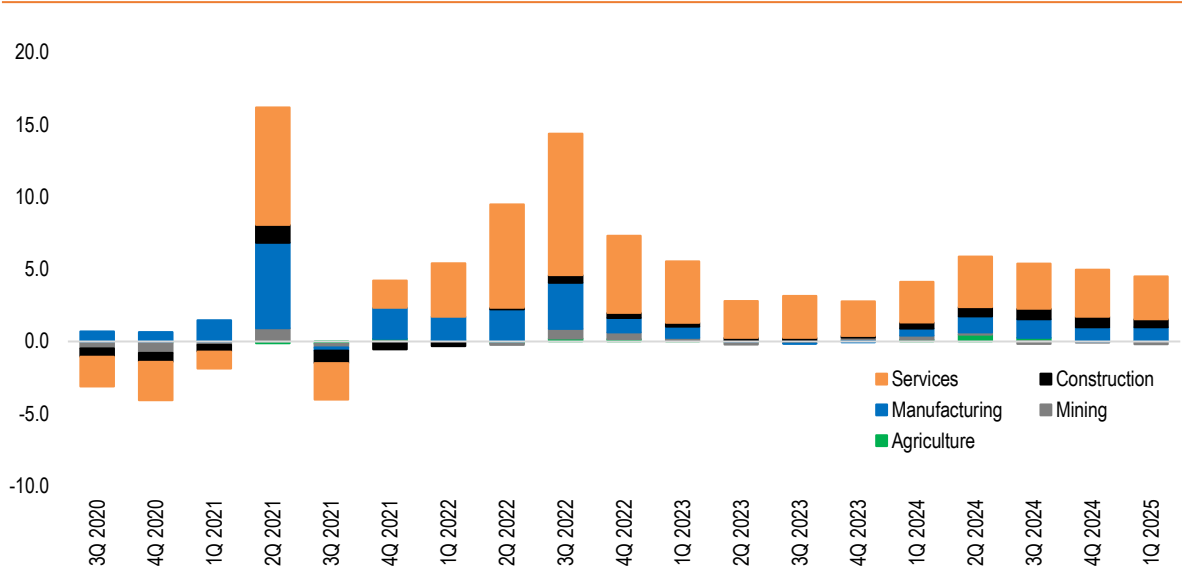


Figure 8: Top 5 contributors to services GDP performance in 1Q 2025 (ppt.)



Figure 9: Bottom 5 contributors to services GDP performance in 1Q 2025 (ppt.)

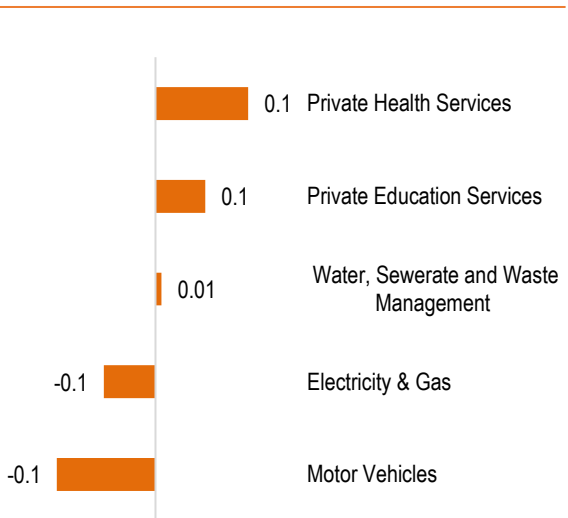


Figure 10: Top 5 contributors to manufacturing GDP performance in 1Q 2025 (ppt.)

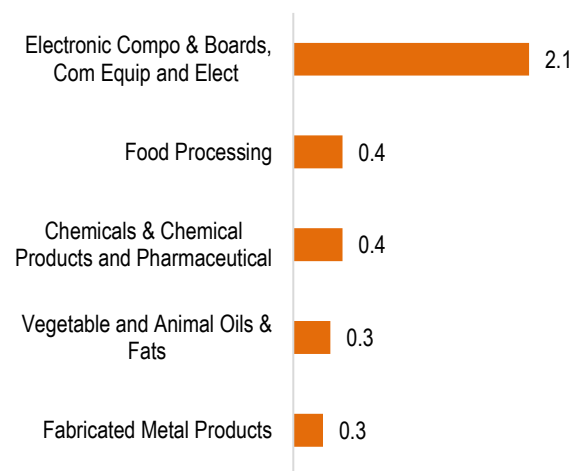
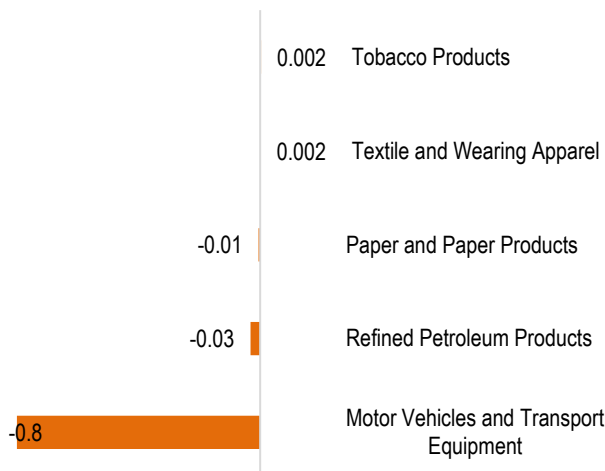


Figure 11: Bottom 5 contributors to manufacturing GDP performance in 1Q 2025 (ppt.)



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