

# ECONOMIC DIGEST

18 Aug 2025

## 2Q GDP growth maintains amid solid domestic demand

- Malaysia's **economy expanded by 4.4% YoY in 2Q** (1Q: 4.4%), slightly below both DOSM's advance estimate and Bloomberg's consensus median of 4.5%, **supported by resilient domestic demand**. On a QoQ seasonally adjusted basis, the economy continued to grow, rising 2.1% (1Q: 0.7%).
- By expenditure (refer to Table 1), **the expansion was underpinned by both investment and consumption**. Investment in both public and private sectors advanced by double digit growth, reflecting intact investors' confidence, despite the rising cost environment. Besides that, full employment condition (unemployment rate at 3.0% in June) and contained inflation (2Q: 1.2%) continue to support private consumption.
- However, external demand has weakened with **net exports contracted sharply by -72.6%** (1Q: 19.6), as imports increased faster than exports. Exports growth moderated in both goods (2Q: 1.4% vs 1Q: 1.6%) and services (2Q: 8.0% vs 1Q: 16.9%), while imports rose rapidly in goods (2Q: 7.2% vs 1Q: 1.8%) but eased in services (2Q: 4.2% vs 1Q: 8.7%).
- On the supply side (refer Table 2), **the services and agriculture sectors posted stronger growth**. Meanwhile, **manufacturing and construction expanded at a softer pace**, while **mining remained in contraction** for the 4<sup>th</sup> consecutive quarter.
- Overall, **GDP grew by 4.4% in 1H 2025** (1H 2024: 5.0%; 2024: 5.1%), and the **outlook for the 2H 2025 is expected to be more challenging** with mounting external headwinds including Trump's country-specific import tariff of 19% and the sector-specific import tariff targeting semiconductor and pharmaceutical goods. The 100% tariff on semiconductor imports to the US if materialised will be catastrophic as the US is Malaysia's 3rd largest semiconductor export destination for the 1H 2025 at 14.7% share to total exports (1H 2024: 13.3%), after Hong Kong (16.4%) & Singapore (21.6%). The impact can be quite significant as Malaysia's semiconductor industry is still heavily concentrated in the back-end activities (assembly, testing & packaging) with smaller profit margin if compared to those at the front-end. Nonetheless, the impact will depend on the investment strategies of the US-owned companies operating within Malaysia as they accounted for most of our semiconductor exports to the US. These companies may avoid the tariff if they increase investment in the US.
- Domestically, the **expansion of SST and tariff revision for the electricity and water utilities**, among others are expected to **strain some businesses due to higher operating costs** and at the same time, **reduce consumers' purchasing power**, eventually lead to **lower demand**. Nonetheless, lower **overnight policy rate (OPR)** and **continuous government support** such as Sumbangan Tunai Rahmah (STR) and Sumbangan Asas Rahmah (SARA) are likely to **cushion the adverse impact**.
- We reiterate our full year GDP forecast range of **4.0% – 5.0% for 2025** (BNM: 4.0% – 4.8%).

Figure 1: Quarterly Real GDP

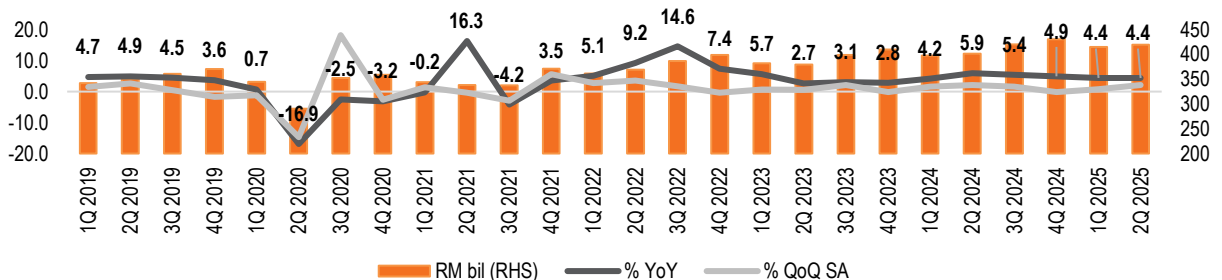


Table 1: GDP by expenditure components (2015p)	Share 2024 (%)	2024					2025	
		1Q	2Q	3Q	4Q	Year	1Q	2Q
		Annual growth (%)						
Aggregate domestic demand	95.2	6.1	6.5	7.1	6.4	6.5	6.0	7.0
Private consumption	60.7	4.7	5.7	4.7	5.3	5.1	5.0	5.3
Public consumption	13.2	7.3	1.8	6.0	4.0	4.7	4.3	6.4
Private Investment	16.5	9.2	12.0	15.6	12.7	12.3	9.2	11.8
Public investment	4.8	11.5	9.1	14.4	10.0	11.1	11.6	13.6
Net exports	4.2	(8.3)	0.3	(5.3)	63.6	9.2	19.6	(72.6)
Exports of goods & services	68.1	4.2	8.5	11.7	8.7	8.3	4.1	2.6
Imports of goods & services	63.9	5.2	9.0	13.0	5.9	8.2	3.1	6.6
Real GDP	-	4.2	5.9	5.4	4.9	5.1	4.4	4.4

Economic Activities	Details
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## SERVICES

Figure 2: Retail trade sales & E-payment transaction (% YoY)

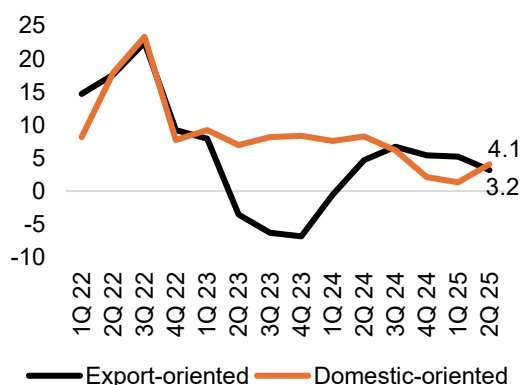


- Services sector growth **ticked higher** in 2Q as **all subsectors expanded**. Highest growth was recorded for accommodation (2Q: 14.5% YoY; 1Q: 14.2%), real estate (2Q: 9.9%; 1Q: 12.4%) and healthcare (2Q: 8.9%; 1Q: 7.6%).
- The top 3 largest services subsectors: government services (2Q: 6.4%; 1Q: 5.9%) and wholesales (2Q: 6.1%; 1Q: 5.4%) grew at faster pace. In contrast, **retail trade growth eased** to 3.8% (1Q: 5.4%), the weakest since 4Q 2023. **Rising cost of living** (e.g. electricity & water bills, SST revision), remains a key issue among household which could influence their spending pattern, prioritising essential items.
- Nevertheless, ongoing cash aids, income-related policy measures, tourism inbound, recent government stimulus and OPR cut are expected to lend support to services sector for the remainder of 2025.



## MANUFACTURING

Figure 3: Manufacturing sales (% YoY)



- Manufacturing sector growth **moderated for the third straight quarters**. Textile & wearing apparel, tobacco, and rubber products subsectors slipped into contraction in 2Q, while refining petroleum products, motor vehicles, and paper & paper products remained sluggish.
- Electronic components growth, edged down** to 8.2% (1Q: 8.3%). The recent US announcement to impose 100% import tariff on semiconductor may affect the demand.
- Overall outlook remains cloudy as **more manufacturing subsectors show weakness during the quarter**. Export oriented manufacturing sales also showed moderation to 3.5% YoY in 2Q (1Q: 5.2%). Front-loading activities will reduce as the 19% US reciprocal tariff kicks in August, tapering manufacturing activities moving forward.

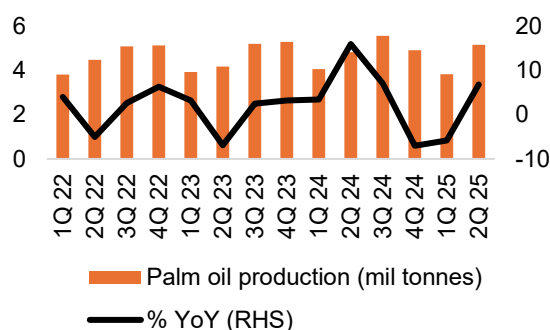
## Economic Activities

## Details



## AGRICULTURE

Figure 4: Crude palm oil production

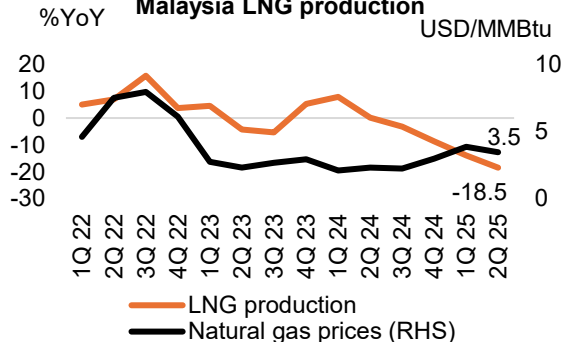


- **Agriculture sector** increased faster as **palm oil** subsector (2Q: 5.3% YoY; 1Q: -3.1%) returned to growth after two straight quarters of decline. The sector is expected to continue growing in the next quarter as **drier weather** amid Southwest Monsoon will **boost the evacuation of fresh fruit bunches**.
- Other agriculture and livestock continued to grow albeit at a softer pace.
- On the other hand, **rubber, marine fishing, and aquaculture** subsectors **slipped into contraction** by -11.3% YoY (1Q: 9.1%), -3.3% (1Q: 10.3%), and -0.2% (1Q: 2.7%), respectively.
- **Forestry & logging** subsector remained in contraction at -4.8% (1Q: -10.5%).



## MINING &amp; QUARRYING

Figure 5: Natural gas prices vs Malaysia LNG production

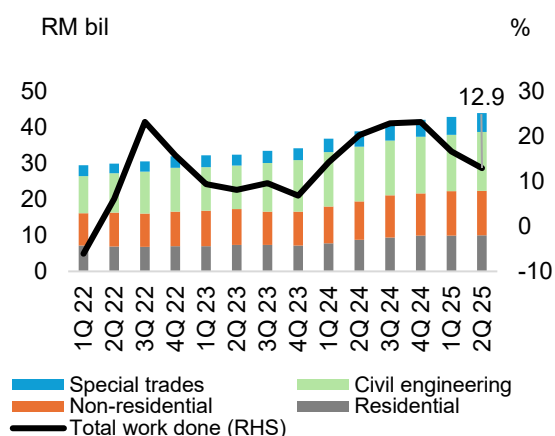


- **Mining sector** fell further, the fourth consecutive quarter of decline.
- **All subsectors contracted** during the quarter. Natural gas dipped deeper to -8.1% YoY (1Q: -2.2%), while crude oil and condensate contracted on a softer note by -1.6% (1Q: -4.6%)
- **Planned maintenance activities** by Petronas (offshore maintenance, construction and modification 2025: 13.62 mil man hours; 2024: 10.31) may continue to **limit production** activities in near term.



## CONSTRUCTION

Figure 6: Construction work done



- **Construction sector** maintained its double-digit growth but continued trending downward for the second quarters.
- Non-residential buildings, residential buildings, and specialized activities subsectors maintained double digit growth but softened.
- **Civil engineering** accelerated faster by **9.4% YoY** (1Q: 5.2%), reversing 4 quarters of moderation in growth.
- Progression of major transportation infrastructure projects will continue to support civil engineering works.
  - 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), ECRL (RM50.3 bil)

Table 2: GDP by economic activity (2015p)	Share 2024 (%)	2024					2025	
		1Q	2Q	3Q	4Q	Year	1Q	2Q
		Annual growth (%)						
Services	59.4	4.8	5.9	5.2	5.5	5.3	5.0	5.1
Manufacturing	23.1	2.1	4.7	5.6	4.2	4.2	4.1	3.7
Agriculture	6.3	1.9	7.6	3.6	(0.7)	3.1	0.7	2.1
Mining	6.0	4.3	2.7	(2.8)	(0.7)	0.9	(2.7)	(5.2)
Construction	4.0	11.9	17.2	20.0	20.7	17.5	14.2	12.1
Real GDP	-	4.2	5.9	5.4	4.9	5.1	4.4	4.4

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

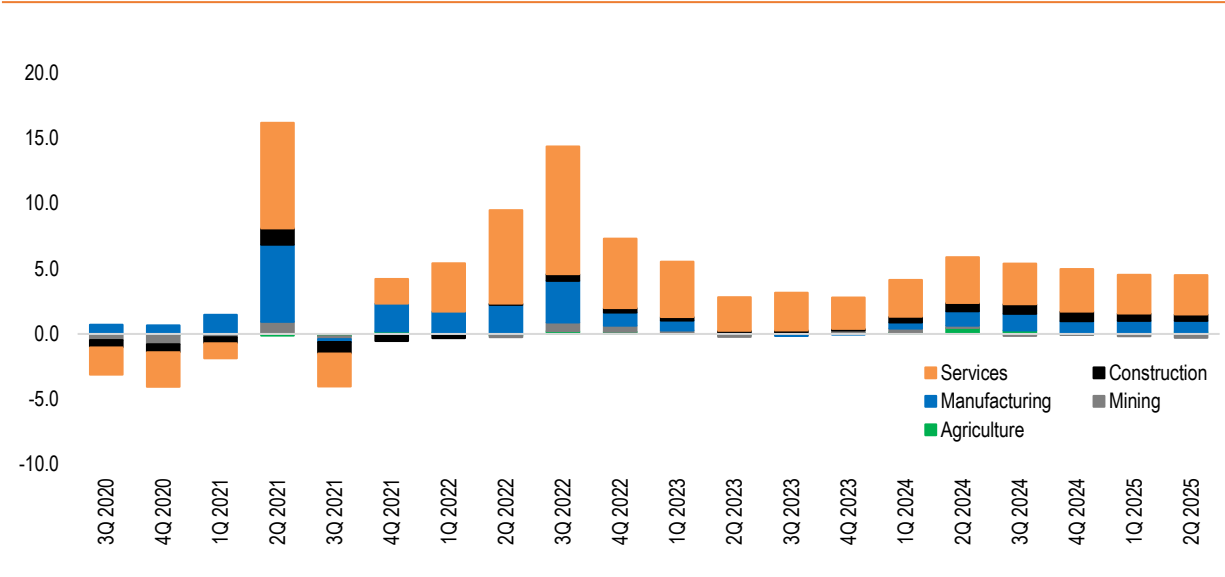


Figure 8: Top 5 contributors to services GDP performance in 2Q 2025 (ppt.)

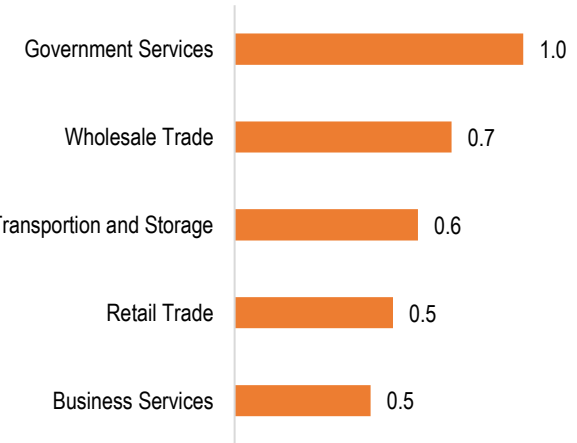


Figure 9: Bottom 5 contributors to services GDP performance in 2Q 2025 (ppt.)

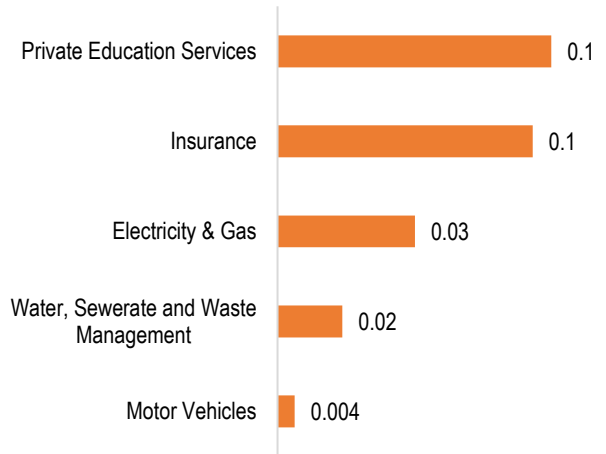


Figure 10: Top 5 contributors to manufacturing GDP performance in 2Q 2025 (ppt.)

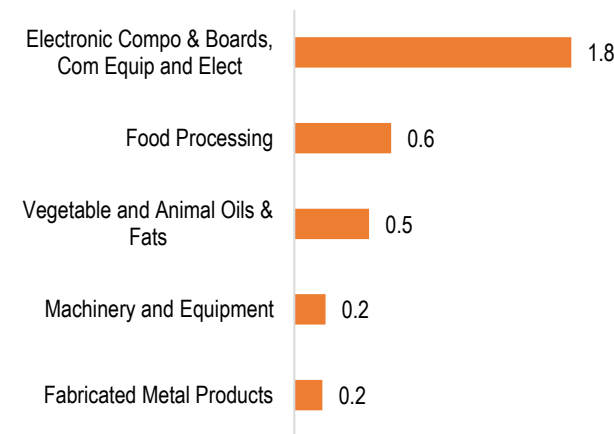
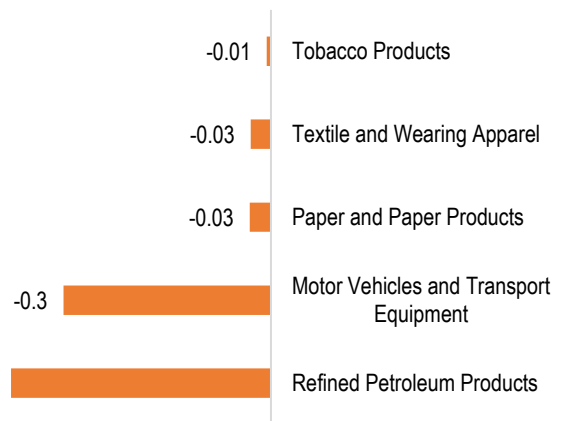


Figure 11: Bottom 5 contributors to manufacturing GDP performance in 2Q 2025 (ppt.)



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