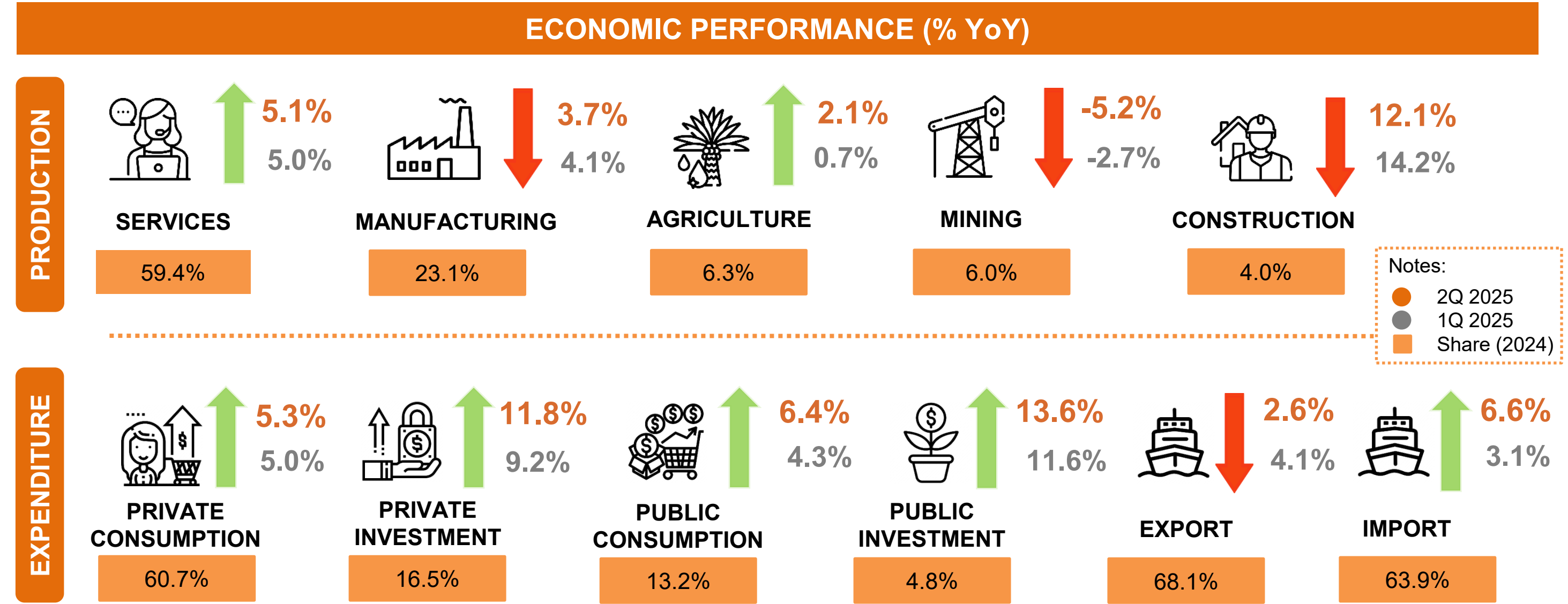
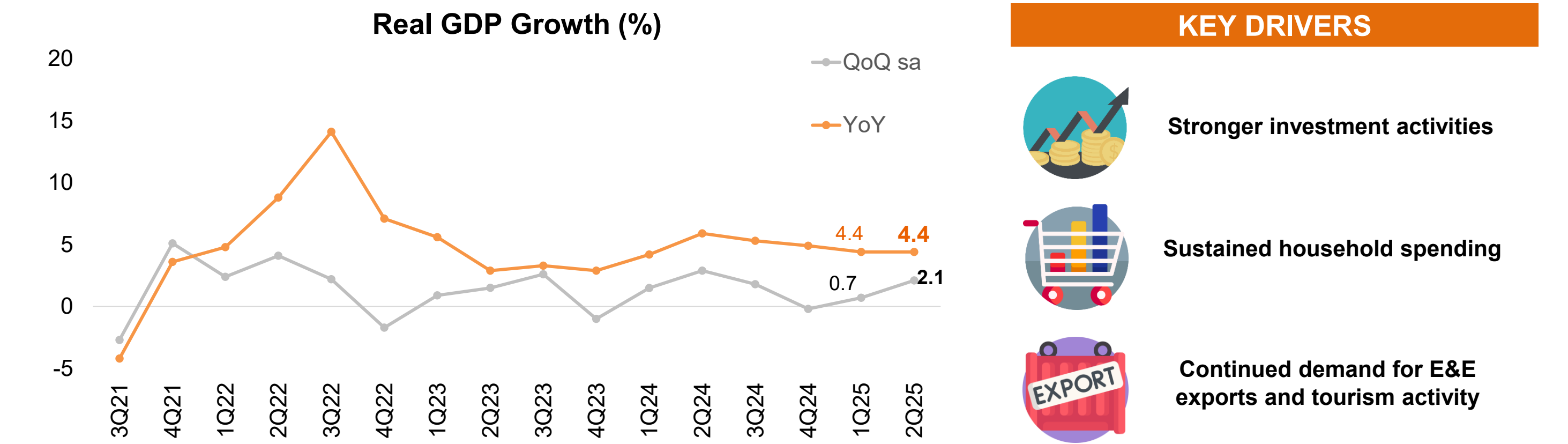


GROSS DOMESTIC PRODUCT

GREW BY 4.4% IN 2Q 2025 (1Q: 4.4%)

Prepared by:
- Mazlina Abdul Rahman
- Uswatun Hasanah Zaini



HIGHLIGHTS

- Malaysia's **economy grew by 4.4% YoY in 2Q 2025** (1Q: 4.4%), marginally below Bloomberg's median consensus and Department of Statistic Malaysia's advance estimate of 4.5%. On a **QoQ seasonally adjusted basis**, the economy **rose by 2.1%** (1Q: 0.7%).
- Manufacturing and construction grew at a softer pace** while **mining remained in contraction** for the 4th straight quarter dragged by all subsectors: crude oil and condensate, natural gas and others.
- On the other hand, **the services and agriculture sector posted better annual growth**. Higher growth in services sector was mainly driven by wholesale trade (2Q: 6.1% vs 1Q: 5.4%), F&B (7.2% vs 5.8%) and accommodation (14.5% vs 14.2%) as well as a rebound in motor vehicle sales (0.1% vs -3.7%).
- By expenditure, **improvement was observed in most of the key components**, notably private investment. Meanwhile, private consumption which has the largest share of GDP grew steadily.
- On the other hand, as import increased higher than export, **net exports declined -72.6%** (1Q: 19.6%). Moderation in exports was observed in sales of both goods (2Q: 1.4% vs 1Q: 1.6%) and services (8.0% vs 16.9%).
- For the 1H 2025, GDP grew by 4.4% while the **outlook for 2H is expected to ease** as the **US reciprocal tariffs kick in** and a **higher cost environment** following the expansion of SST as well as electricity and water tariff hikes. Nevertheless, **continued cash aids** by the government, together with **lower interest rate will cushion the impact**.

DISCLAIMER

SME BANK has exclusive proprietary rights in the data or information provided herein. This document is the property of SME BANK and is protected by Malaysian and international copyright laws and conventions. The data and information shall only be used for intended purposes and not for any improper or unauthorised purpose. All information contained herein shall not be copied or otherwise reproduced, repackaged, transmitted, transferred, disseminated, redistributed or resold for any purpose, in whole or in part, in any form or manner, or by any means or person without SME BANK’s prior written consent.

This research report provides general information only. Neither the information nor any opinion expressed constitutes an offer or an invitation to make an offer, to buy or sell any securities or other investment or any options, futures or derivatives related to such securities or investments. It is not intended to provide personal investment advice and it does not take into account the specific investment objectives, financial situation and the particular needs of any specific person who may receive this report. Investors should seek financial advice regarding the appropriateness of investing in any securities, other investment or investment strategies discussed or recommended in this report and should understand that statements regarding future prospects may not be realised. Investors should note that income from such securities or other investments, if any, may fluctuate and that price or value of such securities and investments may rise or fall. Accordingly, investors may receive back less than originally invested. Past performance is not necessarily a guide to future performance. Any information relating to the tax status of financial instruments discussed herein is not intended to provide tax advice or to be used by anyone to provide tax advice. Investors are urged to seek tax advice based on their particular circumstances from an independent tax professional.

Any opinion, analysis, observation, commentary and/or statement made by SME BANK are solely statements of opinion based on information obtained from sources which SME BANK believes to be reliable and therefore, shall not be taken as a statement of fact under any circumstance. SME BANK does not and is in no position to independently audit or verify the truth and accuracy of the information contained in the document and shall not be responsible for any error or omission or for the loss or damage caused by, resulting from or relating to the use of such information. Analysts based in SME BANK offices produce research on macroeconomics, equities, fixed income, currencies, commodities and portfolio strategy.

SME BANK and its affiliates, subsidiaries and employees shall not be liable for any damage or loss arising from the use of and/or reliance on documents produced by SME BANK or any information contained therein. The contents do not imply or make any reference to the operations of the BPMB Group or its sister company, EXIM Bank. Anyone using and/or relying on SME BANK document and information contained therein solely assumes the risk in making use of and/or relying on such document and all information contained therein and acknowledges that this disclaimer has been read and understood, and agrees to be bounded by it.

Economic Research, SME Bank