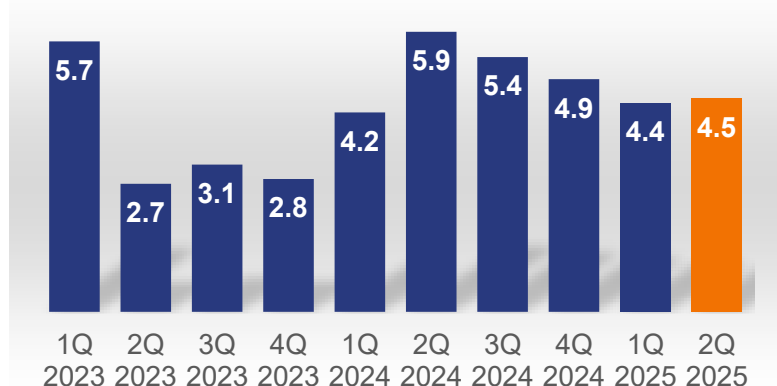
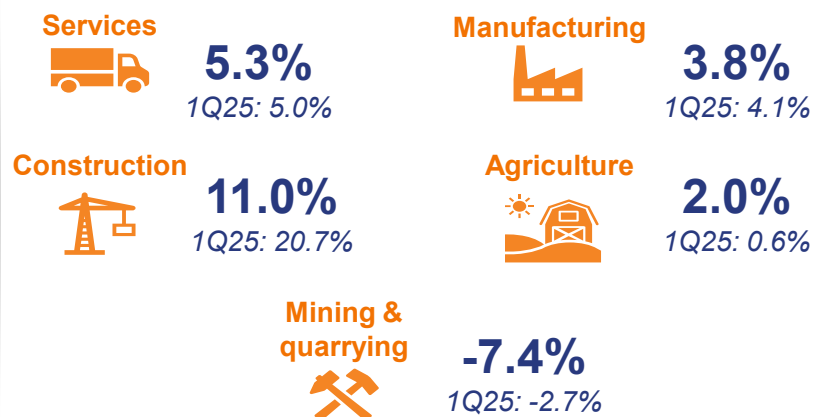


2Q2025 GDP Beats Market Expectations, Rebounds to 4.5% — Led by Services and Construction

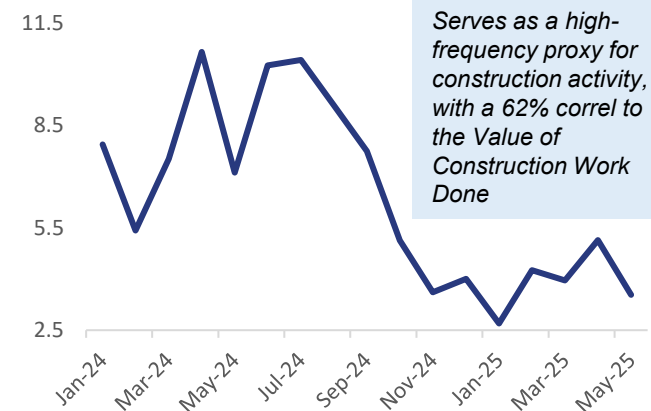
Quarterly GDP growth, %yoy



Quarterly performance by production approach, %yoy



IPI: Construction-Linked Manufacturing Output* (%yoy)

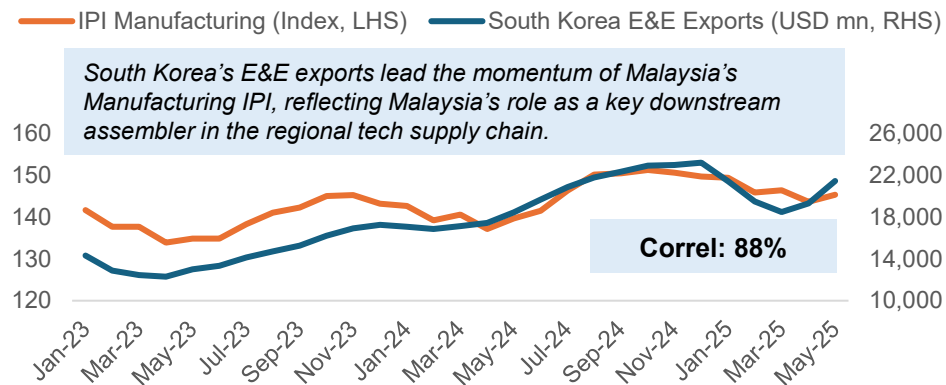


Source: Department of Statistics Malaysia, CEIC, BMMB Economics

Solid 2Q Print, in Line with Our View: Malaysia's economy expanded by 4.5% y-o-y in 2Q2025, slightly above market expectations (4.2%) and in line with our earlier projection. On a sequential basis, GDP rebounded by 1.0% q-o-q after contracting -3.5% in 1Q, supported by **robust domestic activity and uplifted by strong frontloading in the early part of the quarter**. Growth was driven by the **services sector (+5.3%)**, led by retail trade, transport, and business services, and the **construction sector (+11.0%)**, which, while moderating from the previous quarter, continued to expand at a double-digit pace on the back of sustained civil and non-residential works. **Manufacturing growth moderated slightly to 3.8%**, with continued support from E&E and processed goods. **Agriculture saw a greater contribution** this quarter, improving to 2.0%, supported by stronger palm oil and livestock output. In contrast, the **mining sector contracted further by -7.4%**, weighed down by lower crude oil and natural gas production. Overall, while headline growth picked up, the sectoral composition points to narrowing breadth, with domestic demand cushioning external softness and helping offset weaknesses in trade- and commodity-linked sectors.

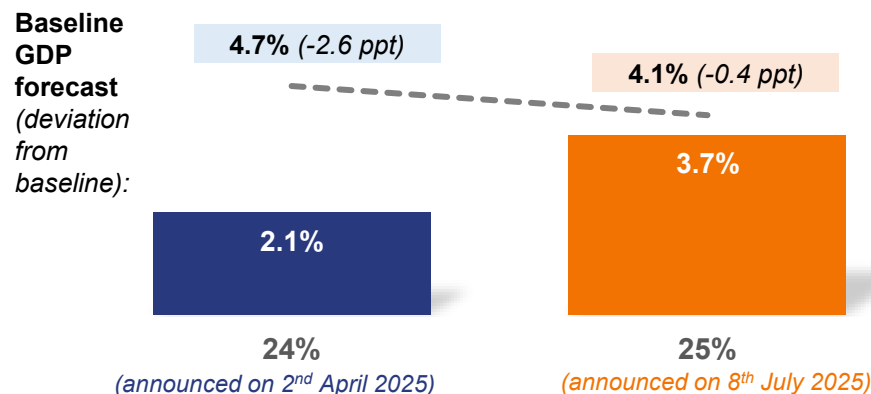
Our take: Frontloaded Strength, but Moderation Ahead

Malaysia's Mfg. IPI and South Korea's E&E Exports



Source: Department of Statistics Malaysia, CEIC, BMMB Economics

Malaysia's GDP growth in 2025 under two different tariff announcements



Source: BMMB Economics Estimates

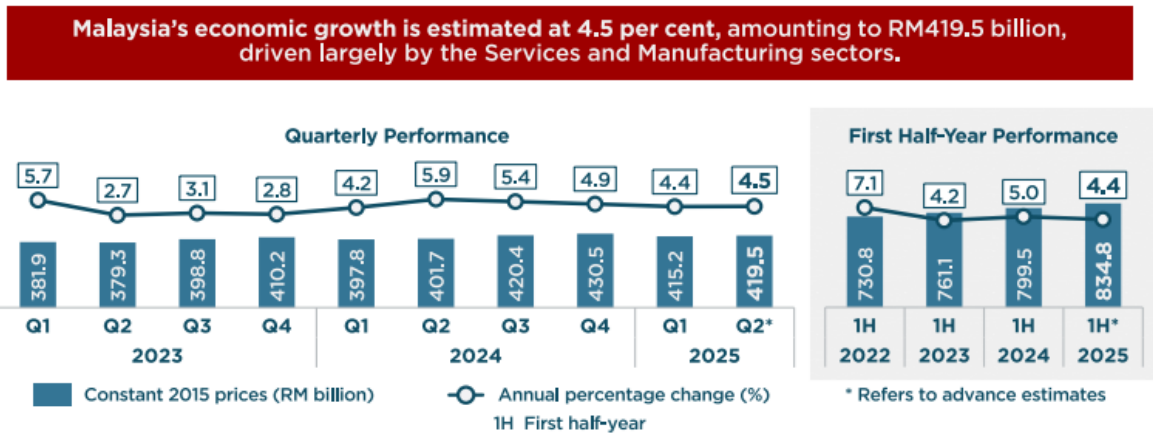
The 2Q2025 GDP performance **reinforces our base case of a frontloaded growth trajectory**, supported by **temporary gains from pre-emptive export activities**—particularly in April—and sustained strength in domestic demand. However, we caution against extrapolating 2Q's outturn into the second half. With the broadening scope of US tariff measures and signs of easing export momentum, we anticipate a more moderate growth path ahead as external headwinds intensify and frontloading effects taper off. This is consistent with the trade trend, where a strong **April export print was followed by weaker outturns in May and June**—reinforcing our view that export performance will deteriorate further in 2H2025. At this juncture, we **maintain our full-year 2025 GDP forecast at 4.1%**, with **risks tilted to the downside**. Our preliminary estimates suggest that the 25% reciprocal tariff could **shave off 0.4 percentage point (ppt)** from baseline GDP growth. Conversely, the recent 25 bps OPR cut could contribute up to **+0.6 ppt** to growth in 2H2025, assuming full transmission across consumption, investment, and credit channels.

We will continue to monitor:

- ✓ The **outcome of Malaysia–US tariff negotiations** and any changes to the evolving tariff landscape that could impact regional supply chains.
- ✓ The release of **BNM's revised macroeconomic projections**, expected in the final weeks of July.
- ✓ The unveiling of the **13th Malaysia Plan (RMK13)**, which could shape investment priorities and medium-term growth outlook.

Appendix: Malaysia's GDP Snapshot – 2Q2025 Advance Estimates

Adv. GDP Estimates, quarterly and half-yearly (%yoy)



Country (YoY%)	2023	2024	2024								2025	
			Q1		Q2		Q3		Q4		Q1	
			AE	Preliminary	AE	Preliminary	AE	Preliminary	AE	Preliminary	AE	Preliminary
Malaysia	3.5	5.1	3.9	4.2	5.8	5.9	5.3	5.4	4.8	4.9	4.4	4.4
United States (US)	2.9	2.8	3.0	2.9	3.1	3.0	2.7	2.7	2.5	2.5	2.0	2.0
European Union (EU)	0.5	1.0	0.5	0.6	0.7	0.8	0.9	1.0	1.1	1.4	1.4	1.6
United Kingdom (UK)	0.4	1.1	0.2	0.7	0.9	1.1	1.0	1.2	1.4	1.5	1.3	1.3
South Korea	1.6	2.0	3.4	3.4	2.3	2.2	1.5	1.4	1.2	1.1	-0.1	0.0
Taiwan	1.1	4.8	6.5	6.6	5.1	4.9	4.0	4.2	1.8	3.8	5.4	5.5
Singapore	1.8	4.4	2.7	3.2	2.9	3.4	4.1	5.7	4.3	5.0	3.8	4.1

AE: Advance Estimate

Source: Department of Statistics Malaysia

GDP Performance by Kind of Economic Activity (%yoy)

