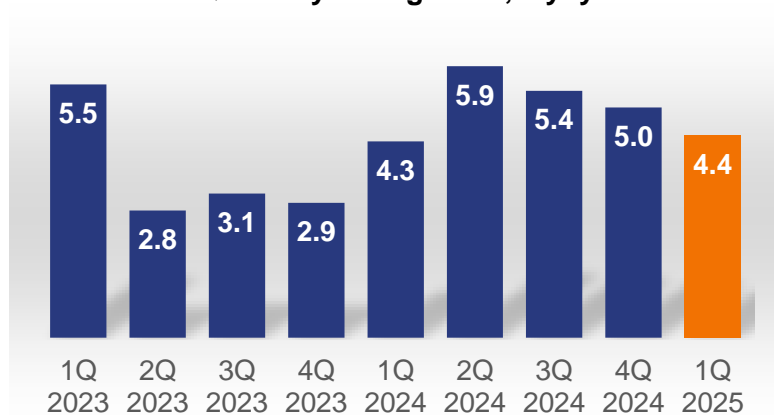
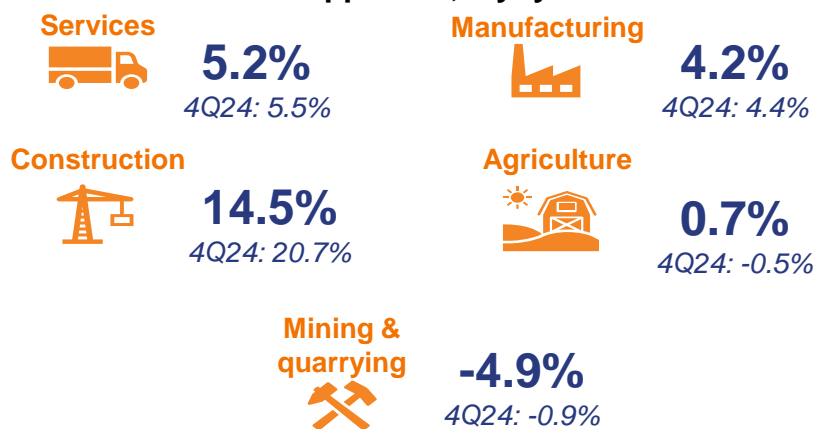


# Below-consensus 1Q25 Adv. GDP estimates of 4.4% points to cautious start for Malaysia

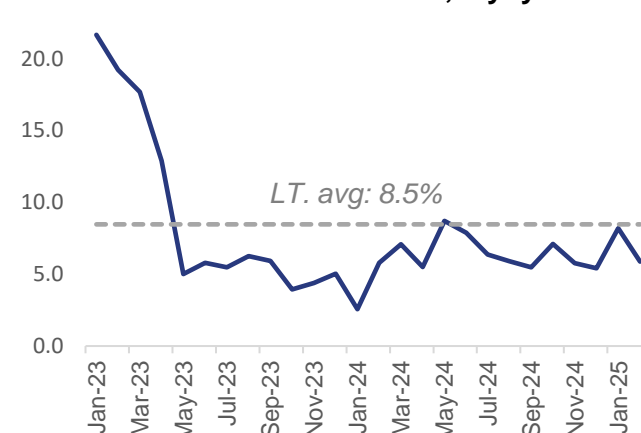
Quarterly GDP growth, %yoy



Quarterly performance by production approach, %yoy



Index of Retail Trade, %yoy



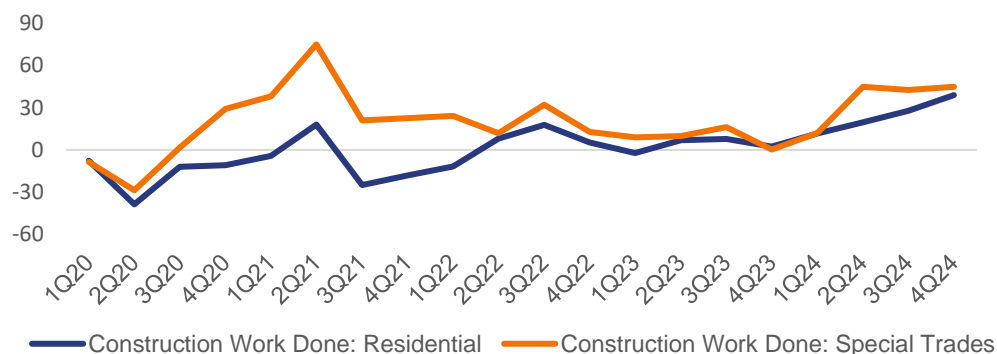
Source: Department of Statistics Malaysia, CEIC, BMMB Economics

**Malaysia's GDP expanded by 4.4% y-o-y in 1Q2025**, falling short of market consensus (median: 4.8%) and easing from 5.0% in 4Q2024. The headline figure is somewhat underwhelming considering the presence of two major festive seasons — Chinese New Year and Hari Raya Aidilfitri — within the quarter, which typically lifts consumer-facing activities. On a quarter-on-quarter seasonally adjusted basis, GDP contracted -3.7%, a stark reversal from +2.7% q-o-q in 4Q2024. While partly technical (due to a high base), it underscores the fragile momentum heading into 2Q.

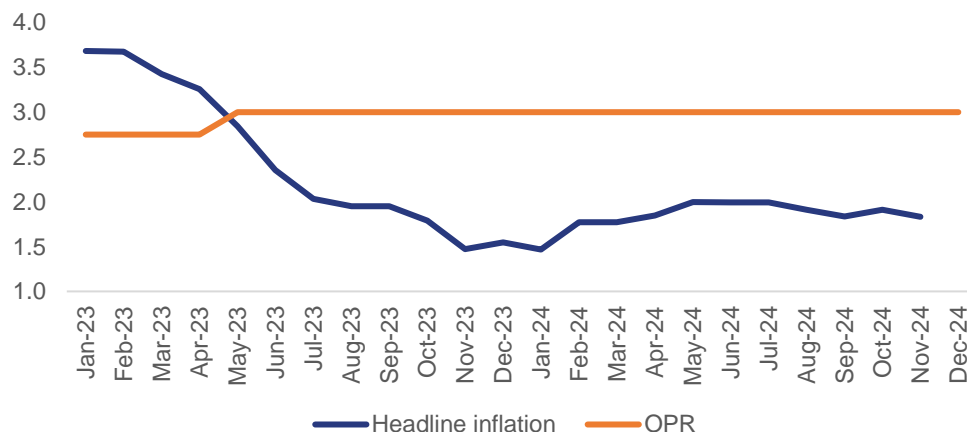
From the supply side, growth in 1Q2025 was **driven by the services, manufacturing, and construction sectors**. Services expanded on the back of robust activity in wholesale & retail trade, transport & storage, and information & communication, while manufacturing saw modest gains led by electrical & electronic products, processed foods, and petroleum-related goods. **Construction remained the standout performer** with double-digit growth, fuelled by residential and specialised construction works. In contrast, resource-based sectors remained a drag—mining and quarrying continued to contract due to lower oil and gas output, while agriculture posted a mild rebound supported by fishing and other segments, though palm oil production stayed weak.

## Subdued start to 2025 paves way for softer policy stance

Construction Work Done



Malaysia's headline inflation vs OPR



Source: Department of Statistics Malaysia, CEIC, BMMB Economics

- **Growth outlook: We have downgraded our 2025 GDP growth forecast to 4.1% under the baseline scenario**, reflecting heightened external uncertainties and the potential spillover effects from the recent escalation in US tariff measures. While domestic fundamentals remain broadly supportive, the external environment poses increasing risks to Malaysia's export performance and overall business sentiment. The slower-than-expected start to the year also suggests softer underlying momentum, warranting a more cautious outlook for the remainder of 2025.
- **Monetary policy stance and inflation outlook:** Against this backdrop, we now expect BNM to cut the Overnight Policy Rate (OPR) in the second half of the year to provide a buffer against downside risks. The inflationary impact of fuel subsidy rationalisation is likely to be contained, given still-subdued demand conditions thus far. That said, if growth continues to underperform or external headwinds intensify, a rate cut could come earlier than anticipated.

# Appendix: Macroeconomic Variables (MEV): Revised Forecast as - April 2025

	Baseline		Downside	
	2025	2026	2025	2026
GDP YoY (%)	4.1 [4.7]	4.5 [5.0]	3.6	3.8
CPI YoY (%)	2.7 [2.5]	2.5 [2.6]	3.2	2.9
OPR (%)	2.75 [3.0]	2.75 [3.0]	2.50	2.50
Unemployment Rate (%)	3.4 [3.3]	3.2 [3.3]	3.8	3.6
Private Consumption (%)	4.8 [6.2]	5.0 [6.5]	3.6	4.0
Exports (%)	1.0	2.5	-1.5	1.0
Gold Price (USD per ounce)	3,350 [2,550]	3,500 [2,600]	3,600	3,800
Brent Crude Oil (USD per barrel)	65 [73]	68 [70]	55	58

*Key assumptions for baseline:*

- Trade tensions linger, but no major escalation.
- Slower global demand weakens export;
- BNM eases 25bps to support growth amid weak external conditions;
- Fuel subsidy rationalisation lifts headline inflation slightly

*Key assumptions for downside scenario:*

- US-China trade war escalates with new tariffs and restrictions.
- Fed slashes rates and reintroduces QE amid financial volatility.
- BNM eases 25bps to support growth amid weak external conditions;
- BNM cuts OPR by 50bps as growth weakens.

*Note: Figures in parentheses reflect team’s earlier forecasts*