

# Pre-2Q2025 GDP Release: Domestic Strength Anchors Growth Amid Persistent External Headwinds

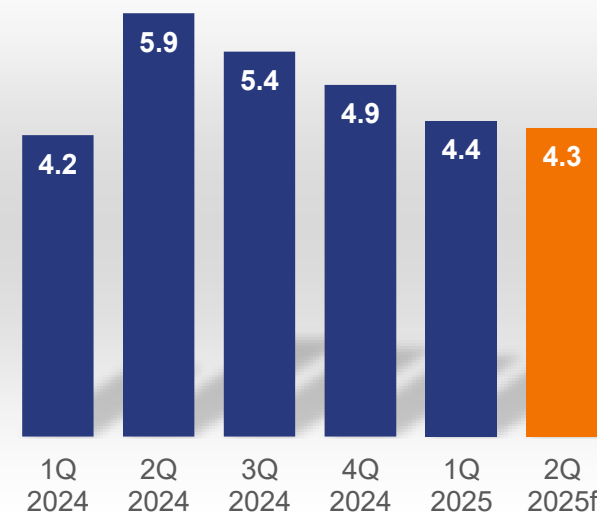
**Malaysia GDP likely rose 4.3% y-o-y in 2Q2025.** Our in-house nowcast points to steady growth versus 1Q, underpinned by **firm domestic demand and broad services strength**, while external demand improved only modestly despite strong frontloading activities observed in early second quarter. The composition suggests **growth remains domestically anchored** with selective tailwinds from construction activity and agricultural commodities.

**Domestic demand — consumption holding up.** Consumer-facing gauges in 2Q remained supportive of growth: Retail Trade +5.0% y-o-y (1Q25: 6.9% y-o-y) and Motor Vehicles +1.4% y-o-y (1Q25: -1.8% y-o-y), pointing to steady discretionary activity alongside a marginal pickup in consumer sentiment. The Index of Services +5.0% signals broad-based services momentum (wholesale & retail, transport/storage, business services), underpinned by continued wage and labour-market support.

**External demand — net external contribution likely weigh on overall GDP.** Exports grew a modest 3.8% y-o-y in 2Q (down from 4.3% in 1Q), reflecting cautious external momentum. In contrast, imports surged 9.2% y-o-y, pointing to stronger domestic demand pull. With the trade balance contracting significantly (-56.3% y-o-y vs 12.1% y-o-y in 1Q), this signals that net exports likely weighed on GDP growth in 2Q.

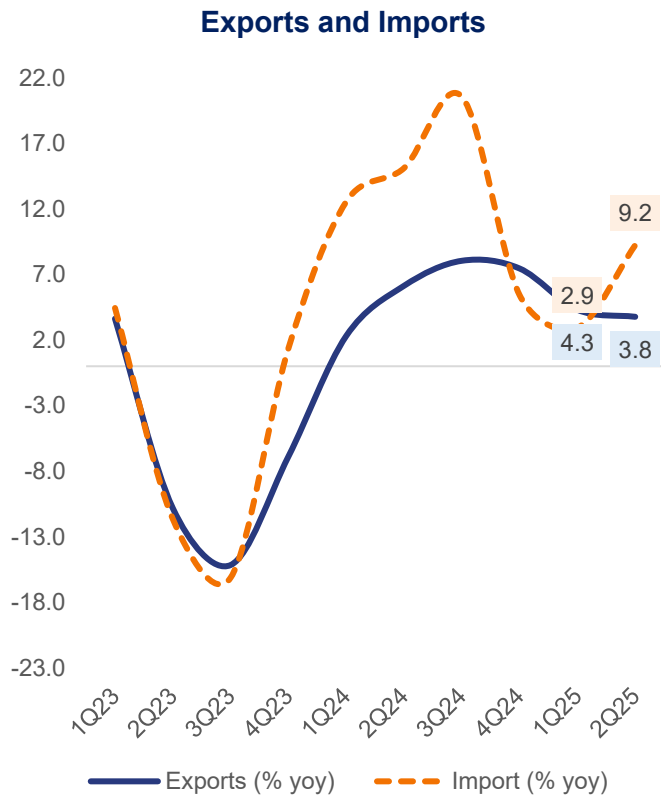
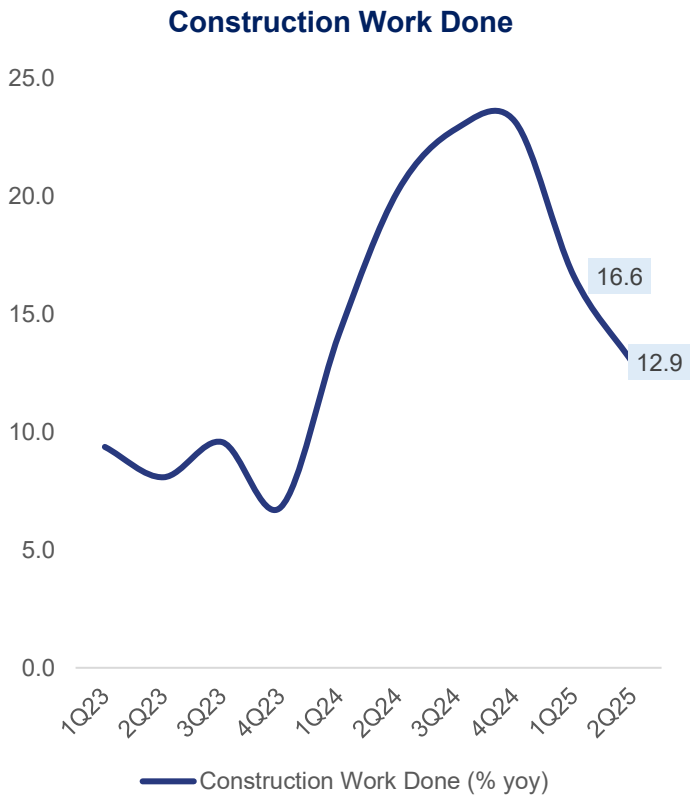
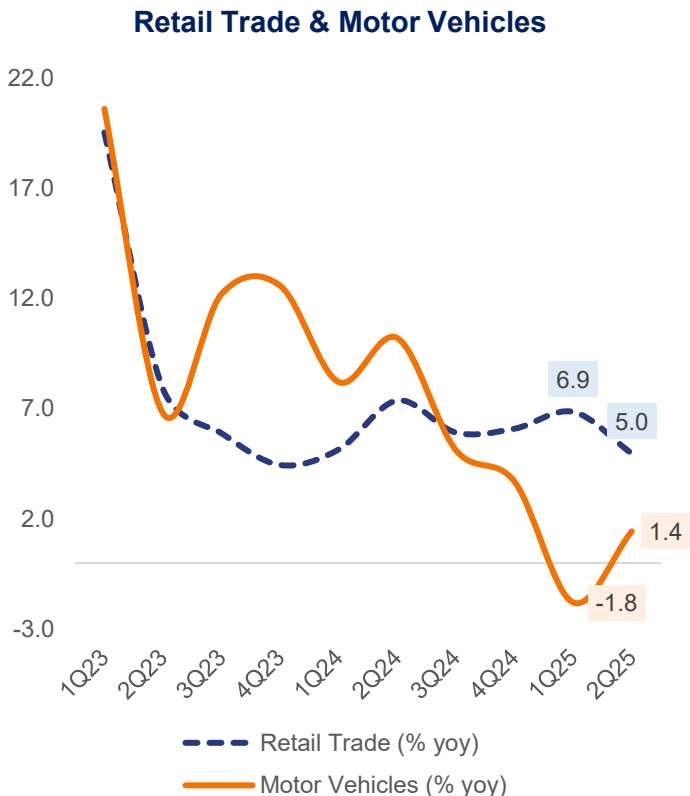
**At this juncture, we retain our full-year GDP growth forecast at 4.1% y-o-y**, with revisions possible depending on the strength of incoming 3Q data that we will monitor closely. Risks remain tilted to the downside, stemming mainly from slower global trade, softer domestic sentiment, and lower-than-expected commodity production. We will continue to assess external developments, including the potential impact of tariffs on semiconductor exports. Overall, the balance of risks suggests vigilance is warranted despite domestic demand remaining the key growth anchor.

Quarterly GDP growth, %yoy



Source: DOSM, CEIC, BMMB Economics

Appendix: 2Q2025 Domestic Activity and Trade Snapshot



Source: Department of Statistics Malaysia, CEIC, BMMB Economics

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