

# Economic Focus

## 1Q25 GDP: Healthy growth trajectory

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- **Steady 1Q25 GDP y-o-y growth of 4.4% on healthy momentum in domestic spending and external demand**
- **Resilient 2025 growth outlook underpinned by firm household spending and investment activities despite mounting trade challenges from US tariff measures**
- **Cautiously optimistic on Malaysia's prospects given strong fundamentals to coast through external uncertainties**

### Sustained expansion in domestic demand and export growth

Malaysia's economy grew 4.4% y-o-y and 0.7% q-o-q on a seasonally adjusted (SA) basis in 1Q25 (revised 4Q24: +4.9% y-o-y; -0.2% SA q-o-q), which was in line with the advance estimate. The steady 1Q25 GDP performance was largely attributed to the sustained growth in domestic demand (+6.0%) and external trade (+19.6%). It is noteworthy that 1Q25 was not affected by US baseline tariffs of 10% which only took place in Apr 2025, and front-loading of export activities contributed to continued growth in external trade during the quarter.

### Favourable domestic labour market

1Q25 domestic consumption continued to be boosted by sustained expansion in the labour market as unemployment rate dipped to a 10-year low of 3.1% in Mar 2025 with historic high labour force participation rate. In addition, 1Q25 private sector nominal and real wages registered the highest y-o-y growth since 2023 at 3.3% and 1.7% respectively. Therefore, there is little surprise that 1Q25 private consumption grew by 5.0% y-o-y (4Q24: +5.3%). Meanwhile, 1Q25 capital expenditure continued to sustain its growth momentum at 9.7% (4Q24: +11.8%), signifying the positive impact arising from record-high approved investments in 2021-2024 and various government-led strategic developments under national blueprints. We believe the bright prospects of investment upcycle in Malaysia will continue to provide further tailwinds in the near term. In addition, net exports rose 19.6% due to strong E&E exports and tourism activities.

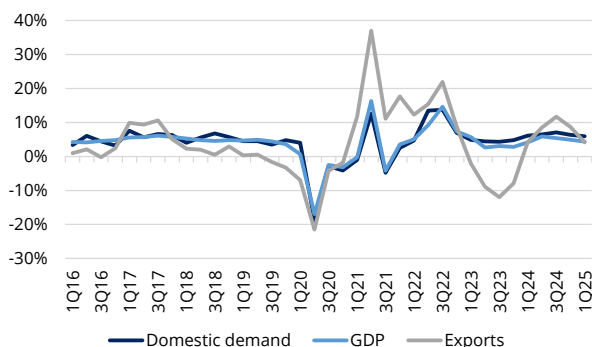
### Resilient domestic spending

Within the Services sector (60% of 1Q25 GDP; +5.0% y-o-y), the Wholesale & Retail Trade sub-sector grew by 4.3% y-o-y (vs 4.4% in 4Q24) while Transportation and Storage sub-sector growth remained steady at 9.5% y-o-y (vs 10.7% in 4Q24). Meanwhile, the Construction sector maintained its double-digit growth of 14.2% (vs 20.7% in 4Q24) given robust growth in non-residential and special trade sub-sectors. The Manufacturing sector increased by 4.1% y-o-y in 1Q25 (vs 4.2% in 4Q24), largely driven by the 8.3% y-o-y increase in the E&E industry, thanks to the front-loading of export activities ahead of the implementation of US tariffs.

### In a position of strength to navigate external challenges

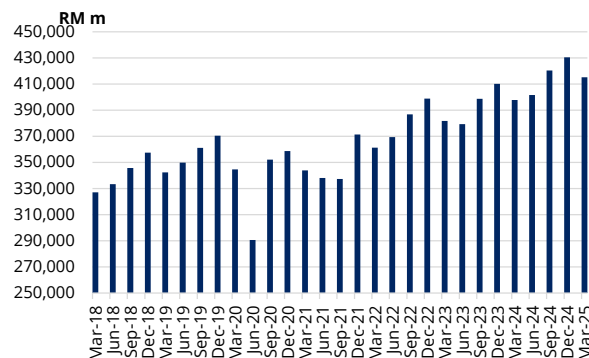
Malaysia is set to benefit from the firm domestic demand, underpinned by robust labour market and strong economic activities. The upward revision of the minimum wage and civil servant salaries as well as higher financial assistance for the low-income group will ensure 2025 domestic expenditure remains intact. Meanwhile, private investment is expected to benefit from positive response to the NETR and NIMP 2030 while the government continues with its expansionary fiscal policy to drive economic growth. We believe Malaysia is currently in a position of strength to weather the adverse impact arising from further escalation in geopolitical tensions and protectionist measures, though the outlook is subject to considerable uncertainties from trade negotiations.

### 1Q25 GDP grew 4.4% y-o-y on firm domestic demand



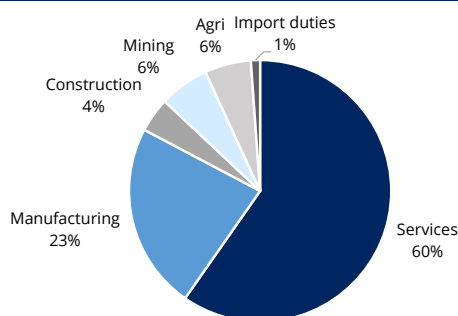
Source: Department of Statistics, AllianceDBS

### Quarterly real GDP (RMm): Sustained y-o-y expansion



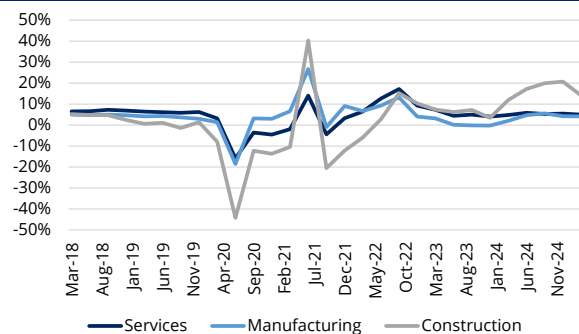
Source: Department of Statistics, AllianceDBS

### Supply side: Composition of 1Q25 GDP



Source: Department of Statistics, AllianceDBS

### Supply side: Y-o-y GDP growth by sector



Source: Department of Statistics, AllianceDBS

### Supply side GDP component y-o-y growth

	2024 share	3Q23	4Q23	1Q24	2Q24	3Q24	4Q24	1Q25
Services	59.4%	4.9%	4.1%	4.8%	5.9%	5.2%	5.5%	5.0%
Manufacturing	23.1%	-0.1%	-0.3%	2.1%	4.7%	5.6%	4.2%	4.1%
Agriculture	6.3%	0.3%	1.9%	1.9%	7.6%	3.6%	-0.7%	0.6%
Mining	6.0%	-1.1%	3.5%	4.3%	2.7%	-2.8%	-0.7%	-2.7%
Construction	4.0%	7.2%	3.6%	11.9%	17.2%	20.0%	20.7%	14.2%
<b>GDP</b>		<b>3.1%</b>	<b>2.9%</b>	<b>4.2%</b>	<b>5.9%</b>	<b>5.4%</b>	<b>4.9%</b>	<b>4.4%</b>

Source: Department of Statistics, AllianceDBS

### Demand side GDP component y-o-y growth

	2024 share	3Q23	4Q23	1Q24	2Q24	3Q24	4Q24	1Q25
Domestic Demand	95%	4.5%	4.9%	6.1%	6.5%	7.1%	6.4%	6.0%
Private Consumption	61%	4.1%	4.2%	4.7%	5.7%	4.7%	5.3%	5.0%
Private Investment	17%	4.5%	4.0%	9.2%	12.0%	15.6%	12.7%	9.2%
Public Consumption	13%	5.3%	5.8%	7.3%	1.8%	6.0%	4.0%	4.3%
Public Investment	5%	7.5%	11.3%	11.5%	9.1%	14.4%	10.0%	11.6%
Net exports	4%	-19.9%	-52.9%	-8.3%	0.3%	-5.3%	63.6%	19.6%
<b>GDP</b>		<b>3.1%</b>	<b>2.9%</b>	<b>4.2%</b>	<b>5.9%</b>	<b>5.4%</b>	<b>4.9%</b>	<b>4.4%</b>

Source: Department of Statistics, AllianceDBS

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