

Investment banks project 4.9pct GDP growth for M'sia in 2025

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Malaysia's economic growth is expected to remain solid at 4.9 percent year-on-year (y-o-y) in 2025, according to local investment banks.

The banks said the forecast aligns with the Finance Ministry's official target of 4.5 to 5.5 percent gross domestic product (GDP) growth in 2025.

Malaysia's economic growth accelerated to 5.1 percent in 2024 from 3.6 percent in 2023, propelled by strong domestic demand, continued investment activity, and a recovering external sector.

Hong Leong Investment Bank Bhd (HLIB) noted that the country's GDP growth is anticipated to stay strong but moderate slightly to 4.9 percent y-o-y in 2025, primarily supported by sustained household spending, underpinned by a strong labour market.

"The projection is further supported by income measures including increases in national wages and higher cash handouts (2025: RM13 billion; 2024: RM10

billion).

“The Employees Provident Fund Account 3 withdrawals, with higher realisation of foreign direct investments (FDI) projects, and continued tourism activities, will also contribute to overall growth,” it said.

HLIB maintained its overnight policy rate expectation at three percent throughout the year, as domestic growth is expected to remain stable and inflationary pressures are anticipated to rise.

“Bank Negara Malaysia also sees upside risks to growth, such as a greater spillover from the tech upcycle, higher tourism activities and faster implementation of projects,” it noted.

Similarly, Maybank Investment Bank Bhd (Maybank IB) also maintained its 2025 real GDP growth forecast of 4.9 percent.

While the ongoing recovery in global semiconductor sales and the tourism sector supports exports of goods and services, Maybank IB remains cautious about external risks and uncertainties stemming from United States trade policies and tariff measures under President Donald Trump’s second term.

“Domestically, several factors provide support and mitigation, including the

ongoing investment upcycle and the realisation of robust private sector approved since 2021.

“Additionally, Budget 2025 measures aimed at boosting workers’ income - such as increases in civil service salaries, pensions, and the minimum wage - along with higher allocations for cash handouts to lower-income groups and expanded personal income tax reliefs, are expected to sustain consumer spending growth,” it added.

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