

M'sian economy expands 4.4pct in 1Q, anchored by household spending

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Bernama

The Malaysian economy expanded by 4.4 percent in the first quarter of 2025 (1Q 2025), driven by sustained household spending supported by favourable labour market conditions and government policies, compared to 4.2 percent in 1Q 2024.

However, this was slower than the 4.9 percent growth recorded in 4Q 2024.

Bank Negara Malaysia governor Abdul Rasheed Ghaffour said the expansion in 1Q was further supported by steady investment activity and continued export growth, particularly in the electrical and electronic sector and tourism.

“Lower oil and gas production and normalisation in motor vehicles sales and production amid high base effect were factors that weighed on growth in 1Q of 2025,” he said when announcing the 1Q 2025 gross domestic product (GDP) performance in Kuala Lumpur today.

Data from the Statistics Department revealed that the services sector expanded by 5.0 percent, the manufacturing sector (4.1 percent), agriculture (0.6 percent),

mining (-2.7 percent) and construction (14.2 percent).

Rasheed said inflation is projected to remain moderate amid more benign global cost conditions and the absence of excess demand.

“As for 1Q 2025, headline inflation declined to 1.5 percent, and core inflation rose to 1.9 percent due to lower utilities and mobile services inflation, which was partially offset by higher rental inflation,” he said.

Headline inflation is projected to remain within a moderate range of 2.0 - 3.5 percent in 2025, driven by further moderating global costs and the absence of excessive demand.

Similar to the economic outlook, Rasheed said any changes to the forecast will be released once there is greater visibility on the external developments.

He said global commodity prices are expected to be lower, contributing to further downward pressure.

“The recently introduced wage-related policies will support demand, although the impact on inflation is expected to be limited.

“In this environment, the overall impact of domestic policy measures is expected

to be contained,” he said.

Foreign direct investment

The current account surplus was larger at 3.4 per cent in 1Q 2025 versus 2.6 percent in 4Q 2024, with continued foreign direct investment (FDI) flows.

Rasheed said continued FDI inflows were supported mainly by equity injections, reinvestment of earnings and debt instruments.

“FDI was mainly channelled into the financial services and information and communication technology sub-sectors,” he said.

The central bank governor said the Malaysian economy will be affected by changes in global trade policies, though resilient domestic demand growth.

“Internal estimate points to growth to be slightly lower than the earlier forecast of 4.5-5.5 percent. Nevertheless, Malaysia is facing this challenge from a position of strength,” he said.

Rasheed said the high uncertainty surrounding outcomes of trade negotiations and how these will reshape global trade complicates a clear assessment of their impact on growth at this juncture.

“The new official growth forecast will be released in the near future once there is greater visibility in these factors,” he added.

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