# Sidang Akhbar

# Prestasi Ekonomi Suku Kedua Tahun 2025

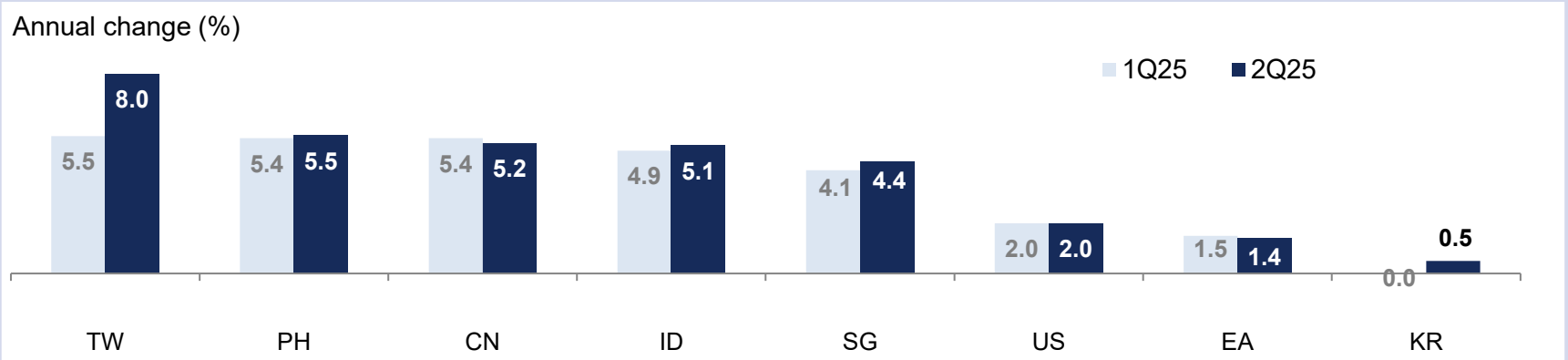
15 Ogos 2025

BANK NEGARA MALAYSIA
CENTRAL BANK OF MALAYSIA

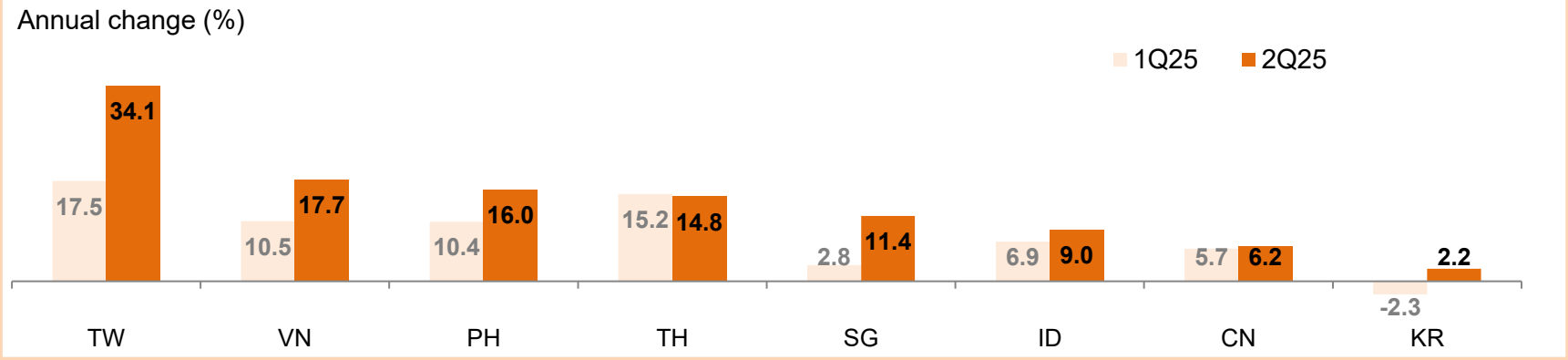
JABATAN PERANGKAAN MALAYSIA
DEPARTMENT OF STATISTICS MALAYSIA

# Global growth remained resilient in 2Q 2025, despite elevated uncertainty

## Real GDP Growth[1]




## Regional Trade Growth




## Global Growth Developments

Continued consumer spending amid resilient labour market conditions

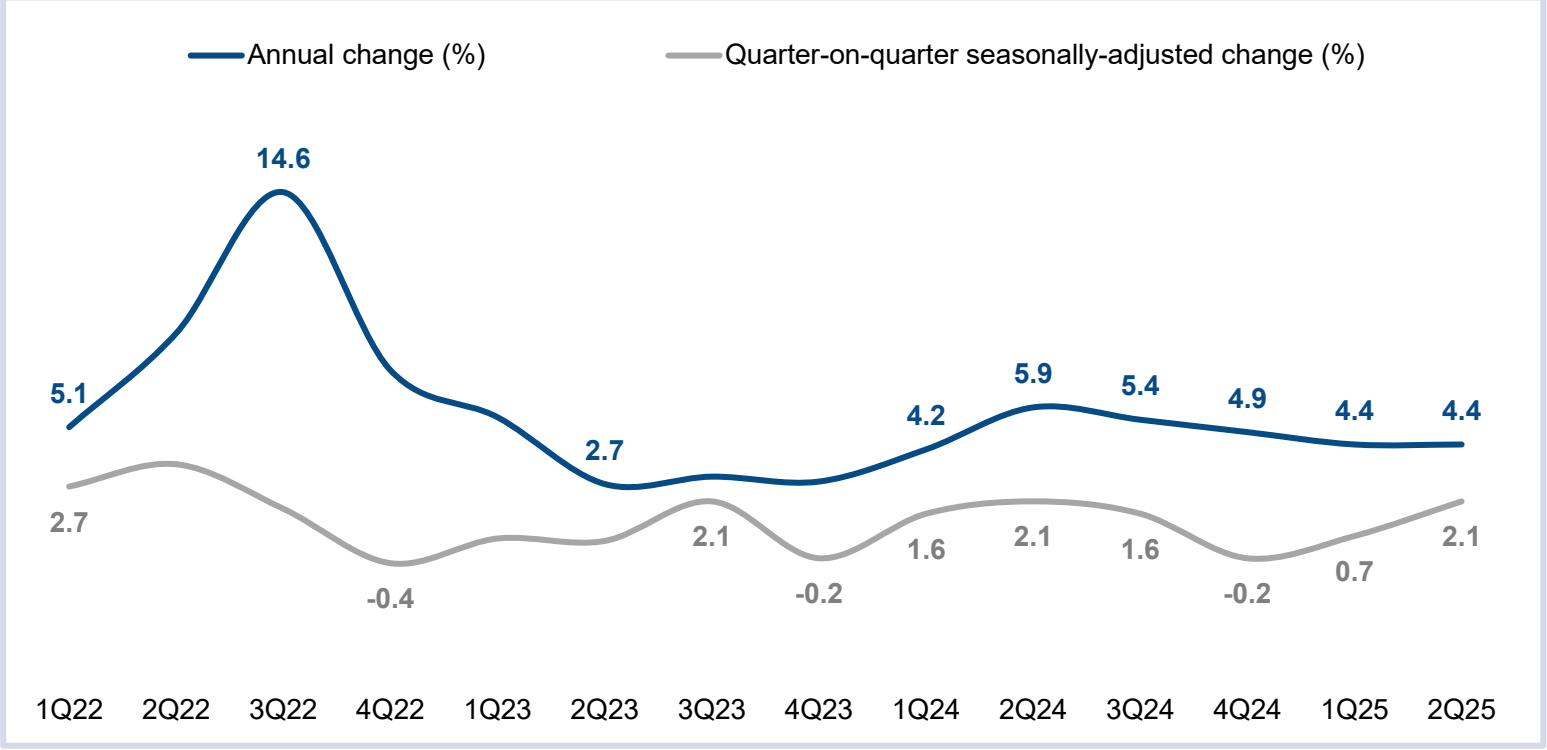
Sustained trade activity as the US-China tariff truce supported exports for most regional economies

Moderating inflation in both advanced and emerging economies

Note: [1]GDP for the second quarter of 2025 are advanced or preliminary estimates except for China, Philippines and Indonesia
Sources: National authorities

# Malaysia's economy expanded by 4.4% in 2Q 2025

## Real GDP Growth (Quarterly)




## Monthly Real GDP Growth (Annual change, %)

| Jan-25 | Feb-25 | Mar-25 | Apr-25 | May-25 | Jun-25 |
|---|---|---|---|---|---|
| 3.5 | 3.7 | 6.0 | 4.4 | 3.3 | 5.5 |

## Factors Supporting Growth in 2Q 2025

- Higher household spending supported by positive labour market conditions
- Stronger private and public investment activities
- Continued demand for E&E exports and robust tourism activity

## Factors Weighing on Growth in 2Q 2025

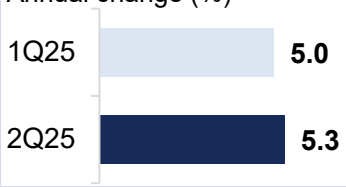
- Lower oil and gas production due to planned maintenance activities

Source: Department of Statistics Malaysia

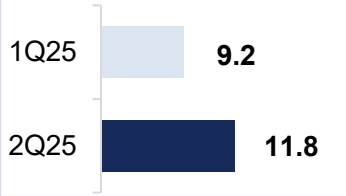
# Growth driven by robust domestic demand and expansion in most sectors

## Demand-Side

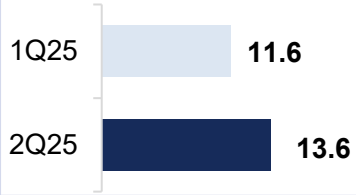
Annual change (%)



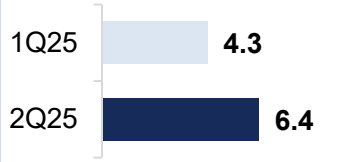

***Private Consumption***
Higher household spending supported by positive labour market conditions



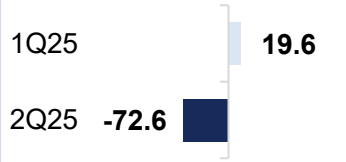

***Private Investment***
Continued structures investment and stronger machinery and equipment spending




***Public Investment***
Stronger capital expenditure by public corporations



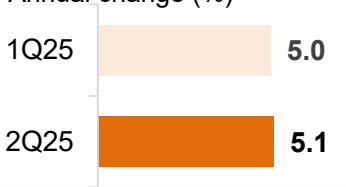

***Public Consumption***
Higher spending on emoluments as well as supplies and services



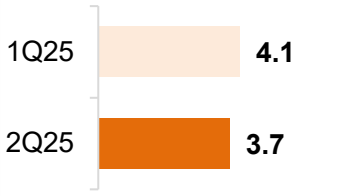

***Net Exports***
Decline in mining-related exports and high capital imports offset continued E&E exports

## Supply-Side

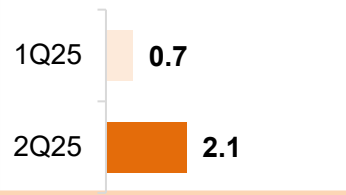
Annual change (%)



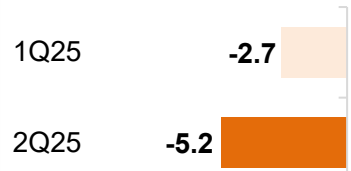

***Services***
Sustained support from consumer-related and Government services



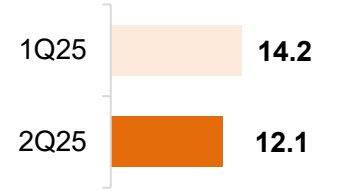

***Manufacturing***
Steady growth in domestic-oriented manufacturing, weighed down by disruptions in refined petroleum production




***Agriculture***
Stronger growth in oil palm production following favourable weather conditions




***Mining***
Lower oil and natural gas output due to planned maintenance activities

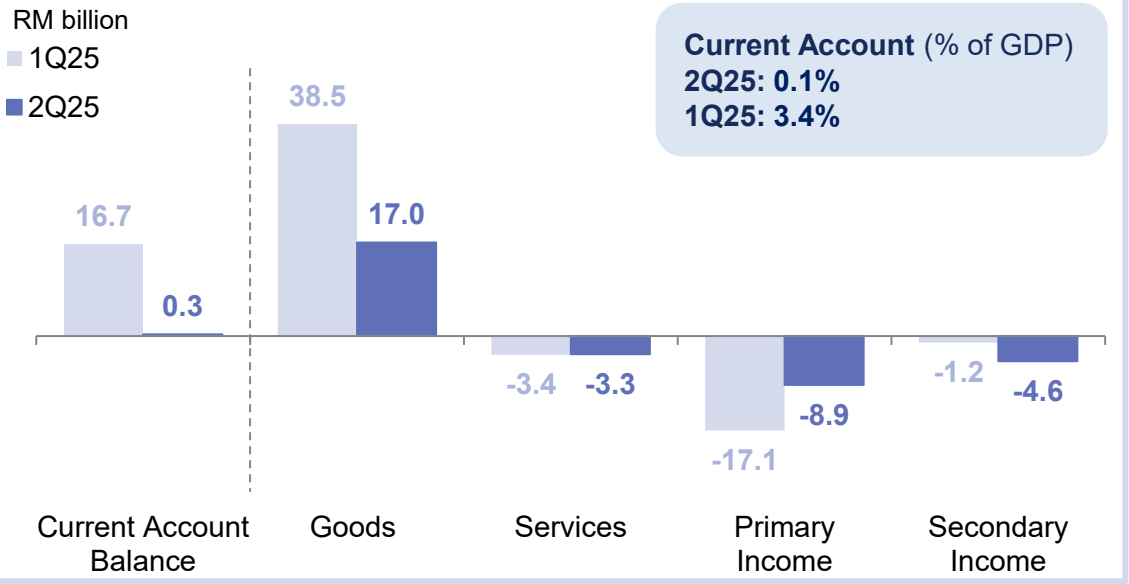



***Construction***
Continued robust growth in non-residential, residential and special trade subsectors

Source: Department of Statistics Malaysia

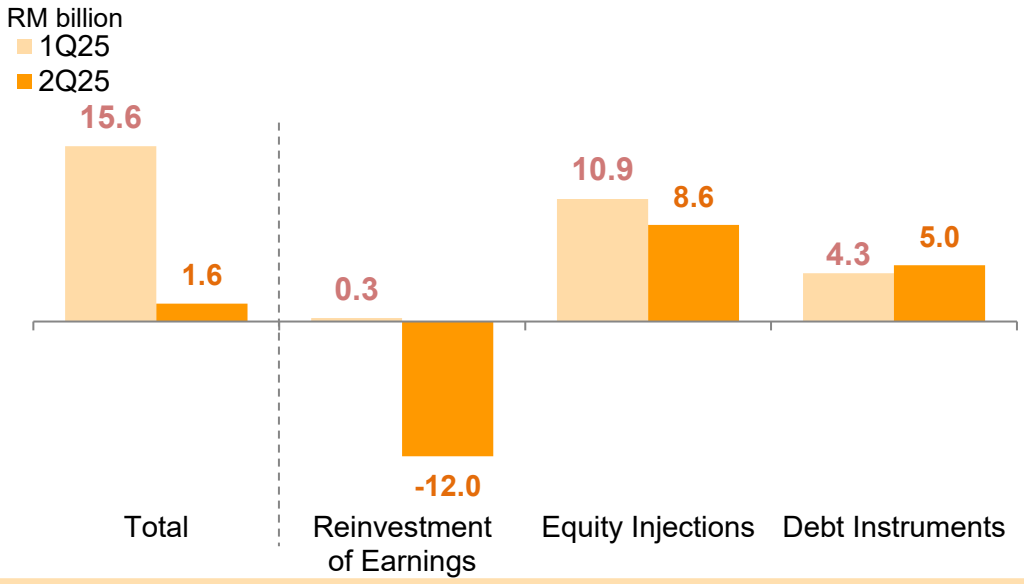
# Current account remains in surplus with smaller FDI inflows

## Current Account




- Lower goods surplus given weaker mining-related exports and higher capital imports
- Narrower services deficit driven by improving travel balance

## Foreign Direct Investment



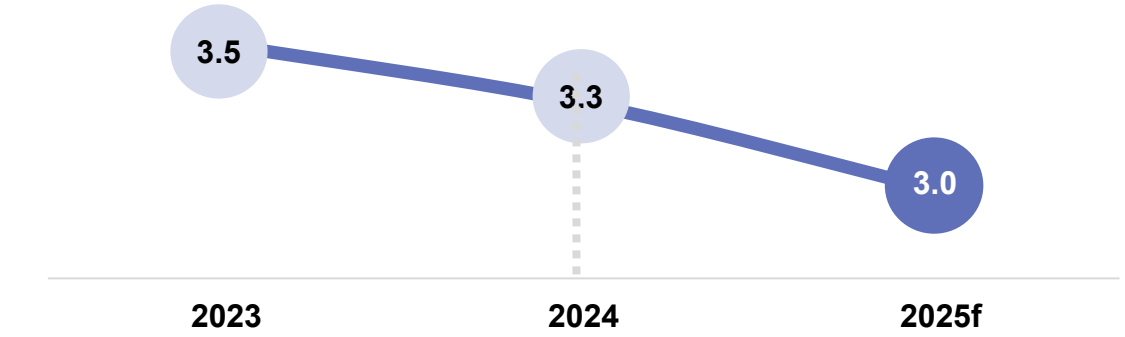

- Net FDI inflows supported by sustained equity injections and higher debt instrument inflows.
- Partially offset by reinvestment earnings outflows, given higher dividend payments recorded by foreign MNCs.

Source: Department of Statistics Malaysia

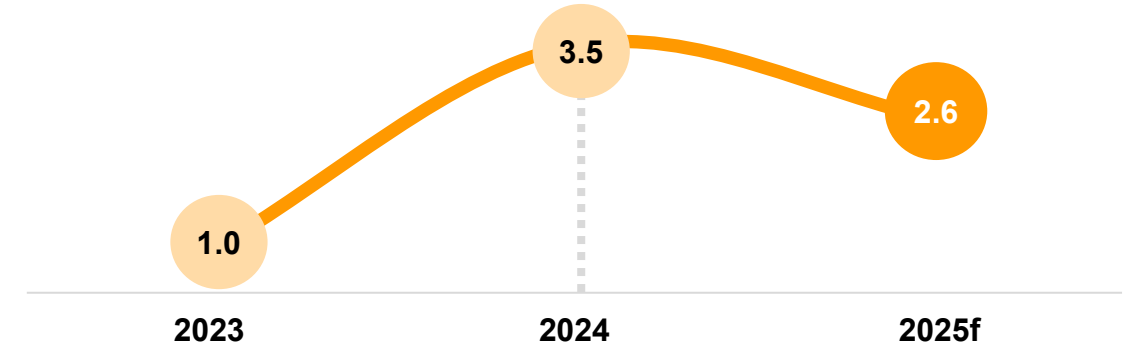
# Global growth and trade to moderate for 2025, as tariffs take effect and support from frontloading dissipates in the second half of 2025

## Recent forecast from multilateral agencies pointed towards softer global growth and trade in 2025

Real GDP, Annual change (%)




Global Trade, Annual change (%)




Note: The WTO, the World Bank, and AMRO have also revised their respective growth outlooks lower.
Source: International Monetary Fund.

## Cyclical and structural growth drivers partially cushion the impact of higher tariffs

### Cyclical drivers

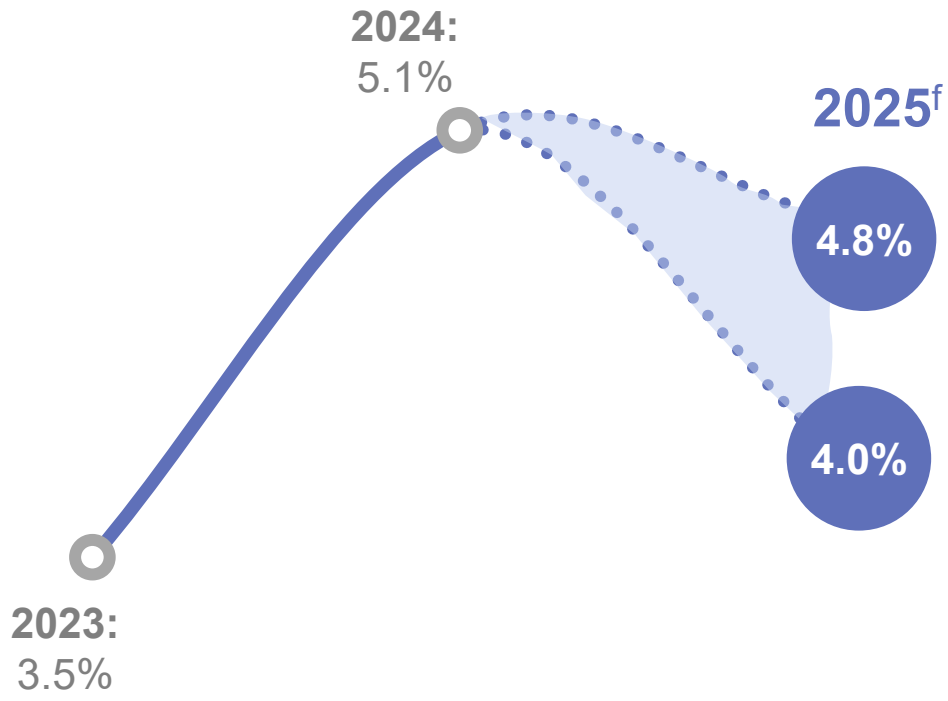
- ✓ Positive labour market conditions
- ✓ Less restrictive monetary policy
- ✓ Fiscal stimulus in major economies

### Structural drivers

- ✓ Continued E&E demand from automation and AI adoption
- ✓ Lower carbon transition accelerates renewable energy adoption
- ✓ Continued intra-regional trade amongst economic blocs e.g. EU, ASEAN

# New forecast range of 4.0% - 4.8% for 2025 GDP growth amid challenging global environment

## Forecast subject to high uncertainty surrounding future global trade policies




## Domestic demand to cushion weaker external demand

**Uncertainty following US tariff policies**

**Subdued external demand**

**Volatile financial markets**

cushioned by

**Sustained household spending**

**Further realisation of investment projects**

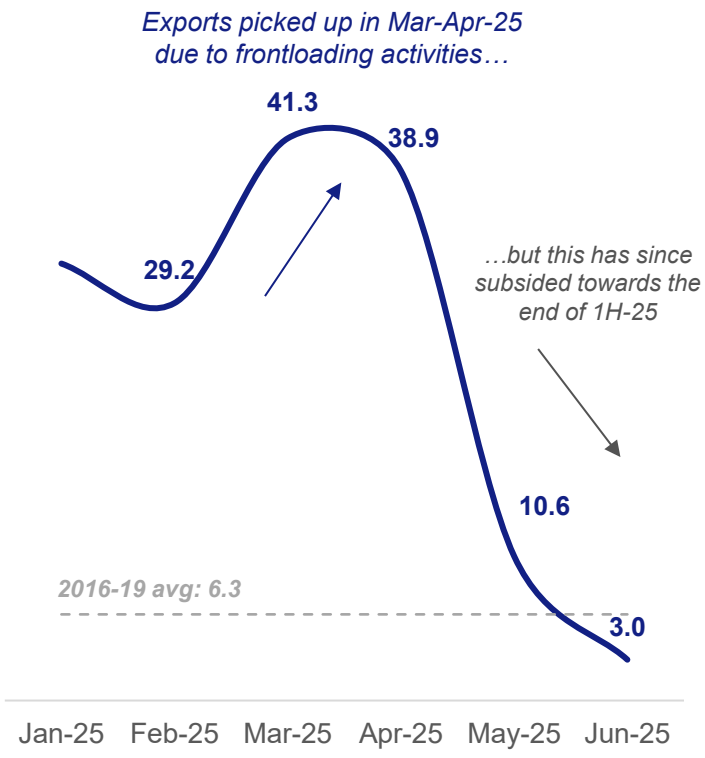
**Continued demand for E&E and robust tourism activity**

[f] forecast
Source: Department of Statistics, Malaysia, Bank Negara Malaysia estimates

# Exports to moderate given challenging external environment, but partly cushioned by E&E and tourism

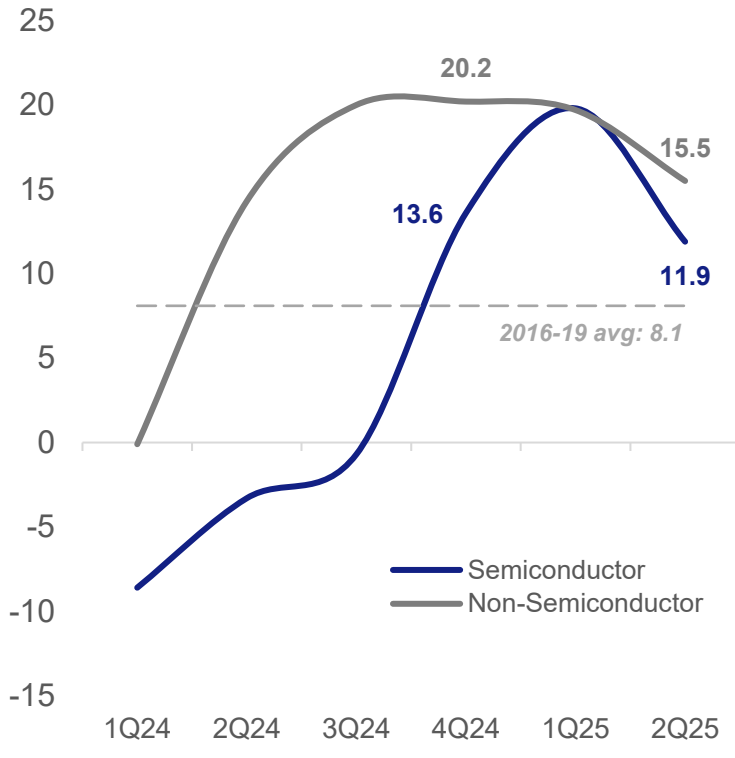
## Slower exports driven by waning support from frontloading activities

**Malaysia's Domestic Exports to the US**
Annual change, %

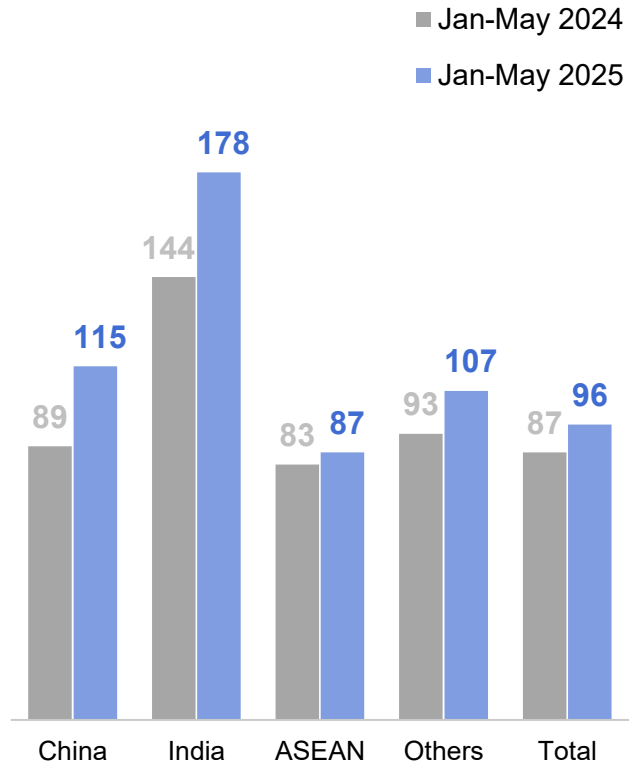



## Nevertheless, continued demand for E&E and higher tourism activity will support export growth going forward

**Malaysia's E&E Gross Exports**
Annual change, %




**Tourist Arrivals,**
% 2019 level

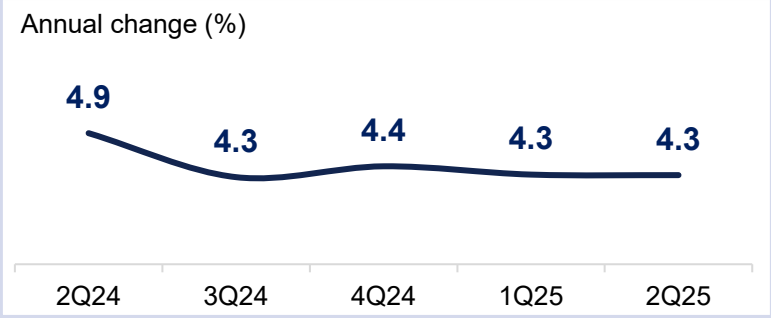



Source: Department of Statistics Malaysia, Global Trade Atlas, UN ESCAP, AER, CEIC, Tourism Malaysia and staff estimate

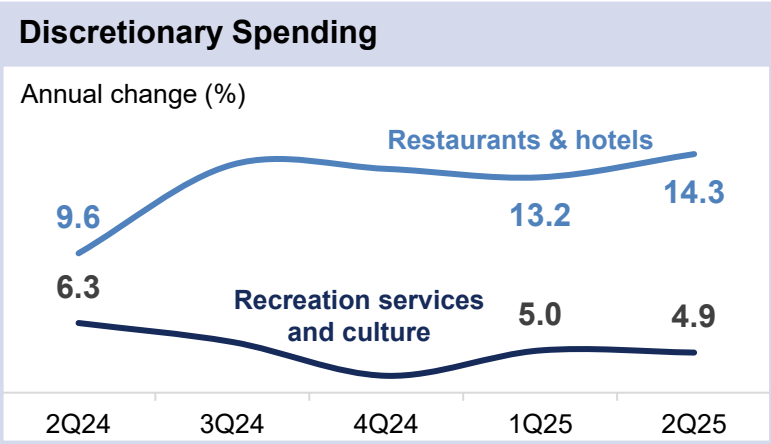
# Household spending continues to anchor growth

## Household spending continues to expand..

### Index of Wholesale Retail Trade

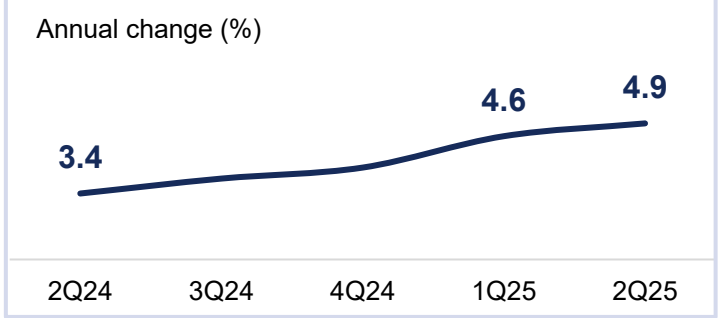



### Discretionary Spending

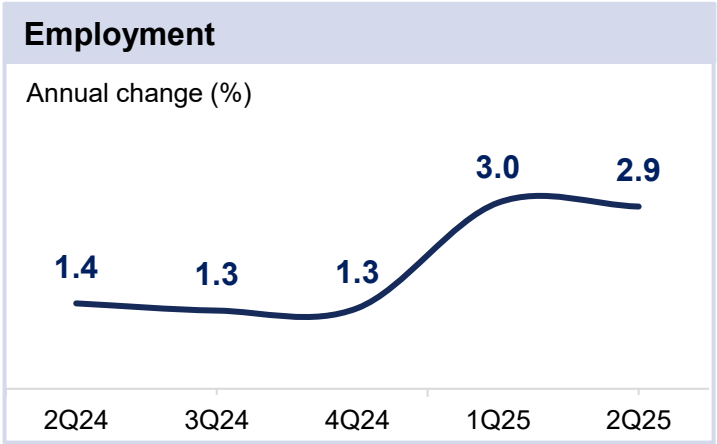



## …supported by positive labour market conditions

### Aggregate Wages




### Employment




## Consumer spending to remain resilient going forward

**Continued employment and wage growth**, particularly within domestic-oriented sectors, and further supported by income–related policies[1]

**Sound household balance sheets** with limited signs of financial distress

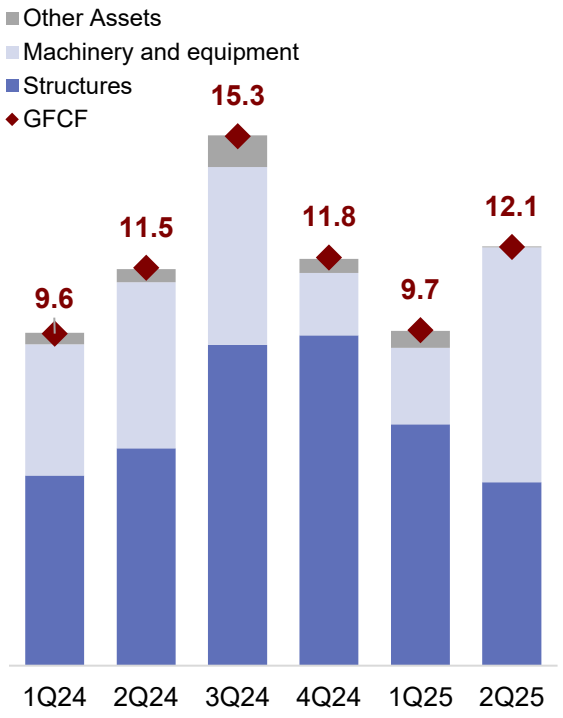
**Targeted cash transfers** to supplement household income

[1] Refers to policies such as the revision in civil servant salaries and increase in minimum wage.
Source: Department of Statistics Malaysia and Bank Negara Malaysia

# Investments remain strong in both private and public sectors, despite rising global uncertainties

## Investment activity to be sustained…

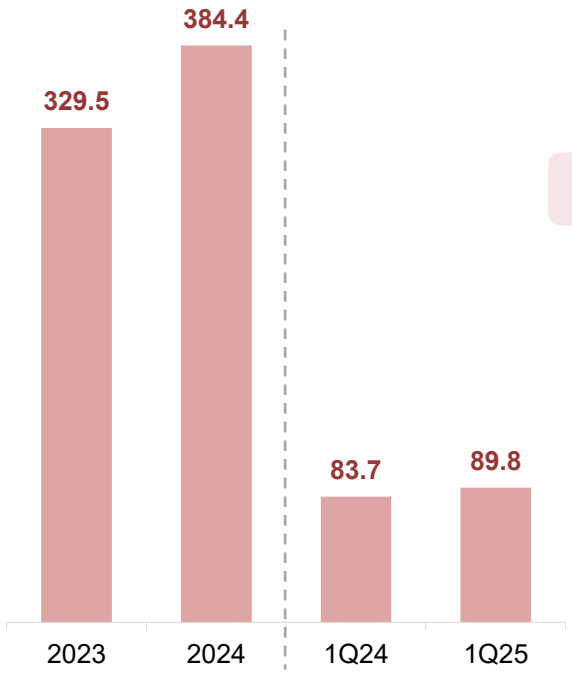
**Real Gross Fixed Capital Formation**
Annual change (%), ppt contribution



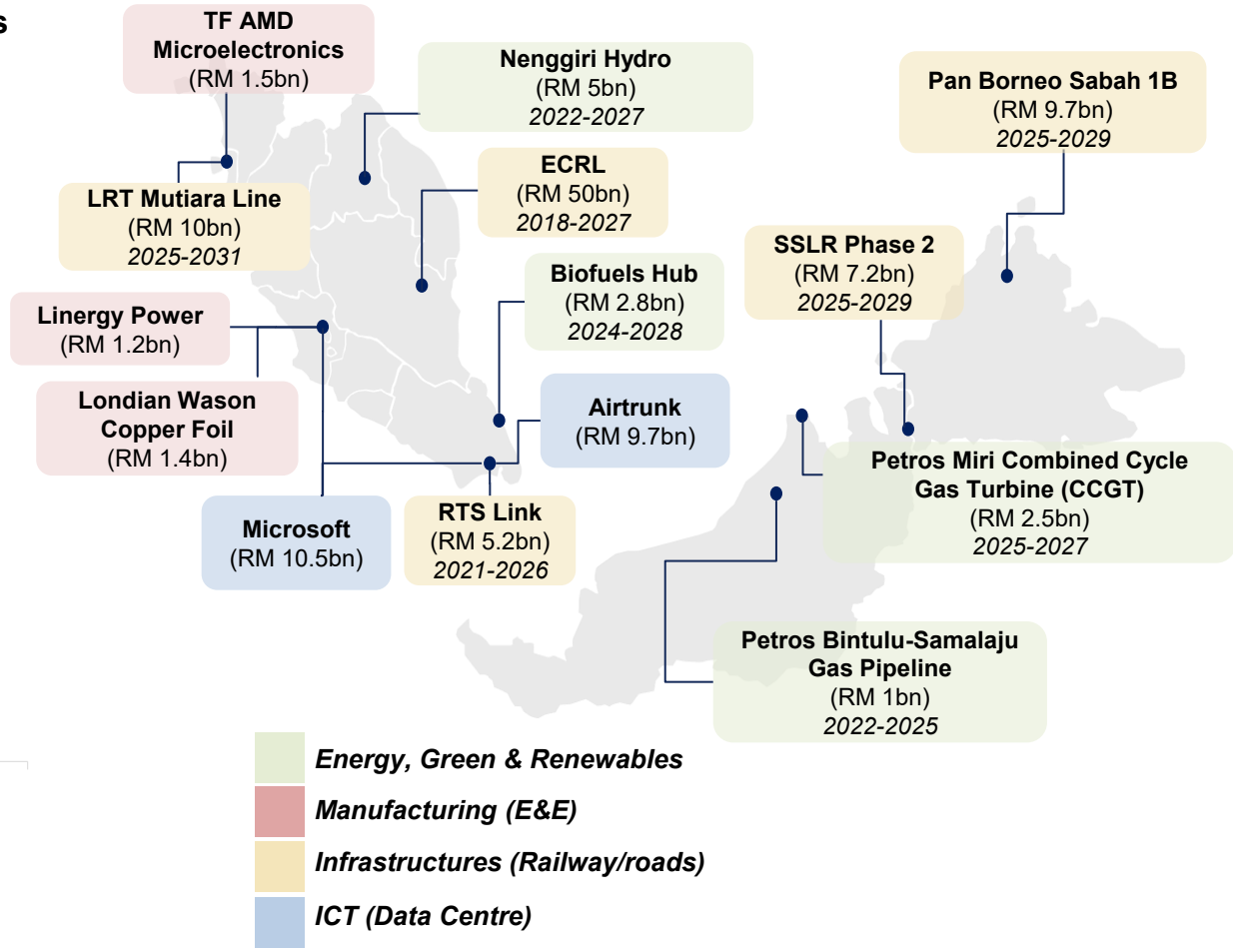

Source: Department of Statistics Malaysia

## … supported by continued implementation of ongoing public projects and steady realisation of approved private investment activities

**MIDA: Total Approved Investments**
RM billion



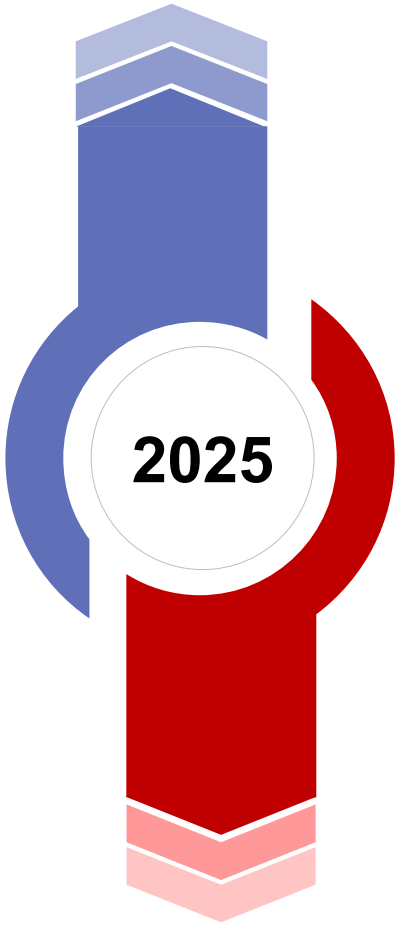

Source: MIDA, news flows



# Overall growth is subject to both downside and upside risks

## Upside risks

- Favourable outcome from remaining **trade negotiations**
- **Pro-growth policies** in major economies
- More robust **tourism activity**




- **Further slowdown in trade** from higher tariffs
- **Weaker sentiment from uncertainty** affecting spending and investments
- Lower-than-expected **commodity production**

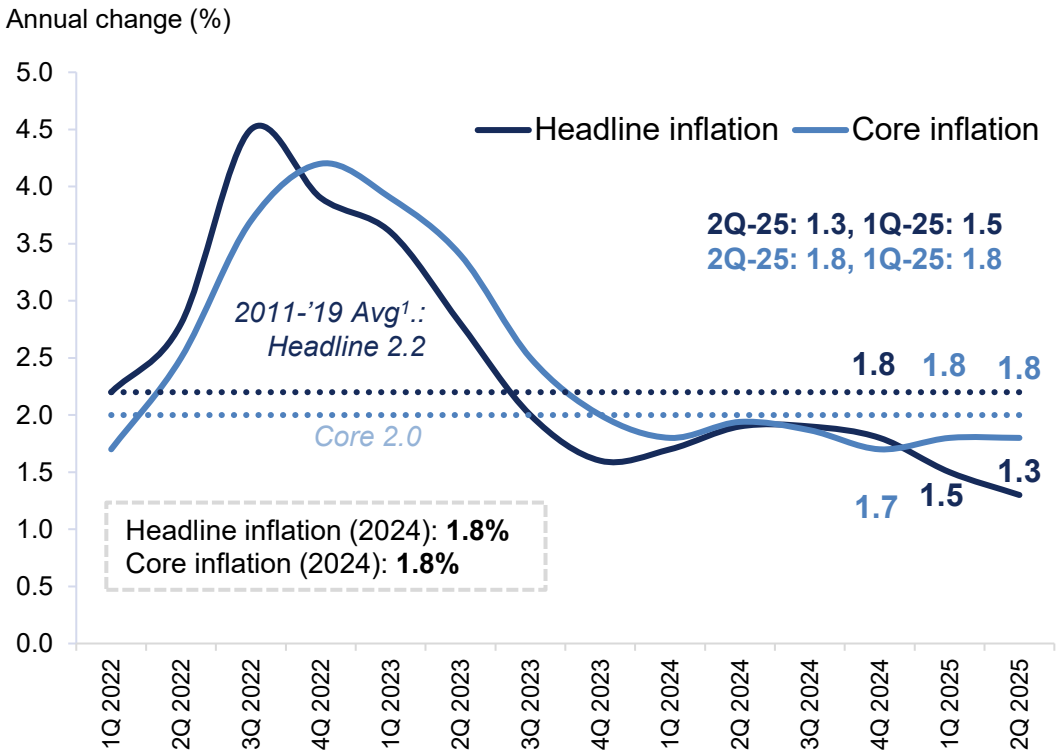
## Downside risks

Source: Bank Negara Malaysia

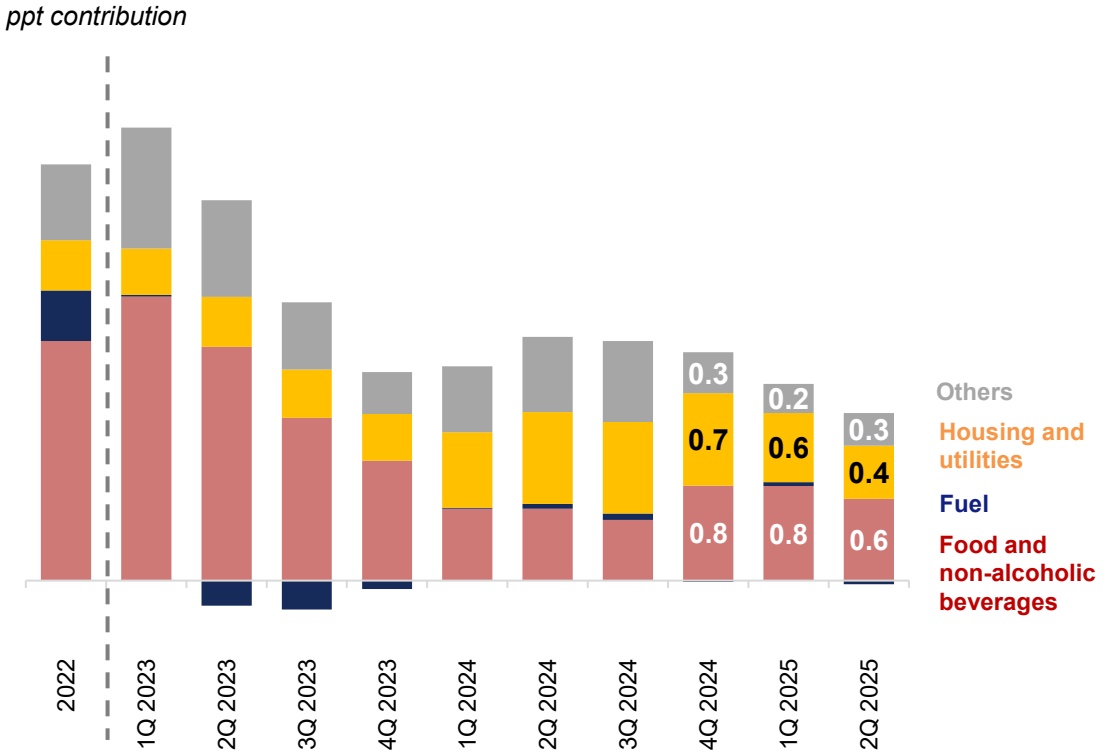
# Headline and core inflation remained moderate in 2Q 2025

**Headline inflation eased to 1.3%, while core inflation remained stable at 1.8%. Lower inflation for fuel and food-related items were partly offset by a slower price decline for mobile services.**

## Malaysia's Headline and Core Inflation




## Breakdown of Headline Inflation



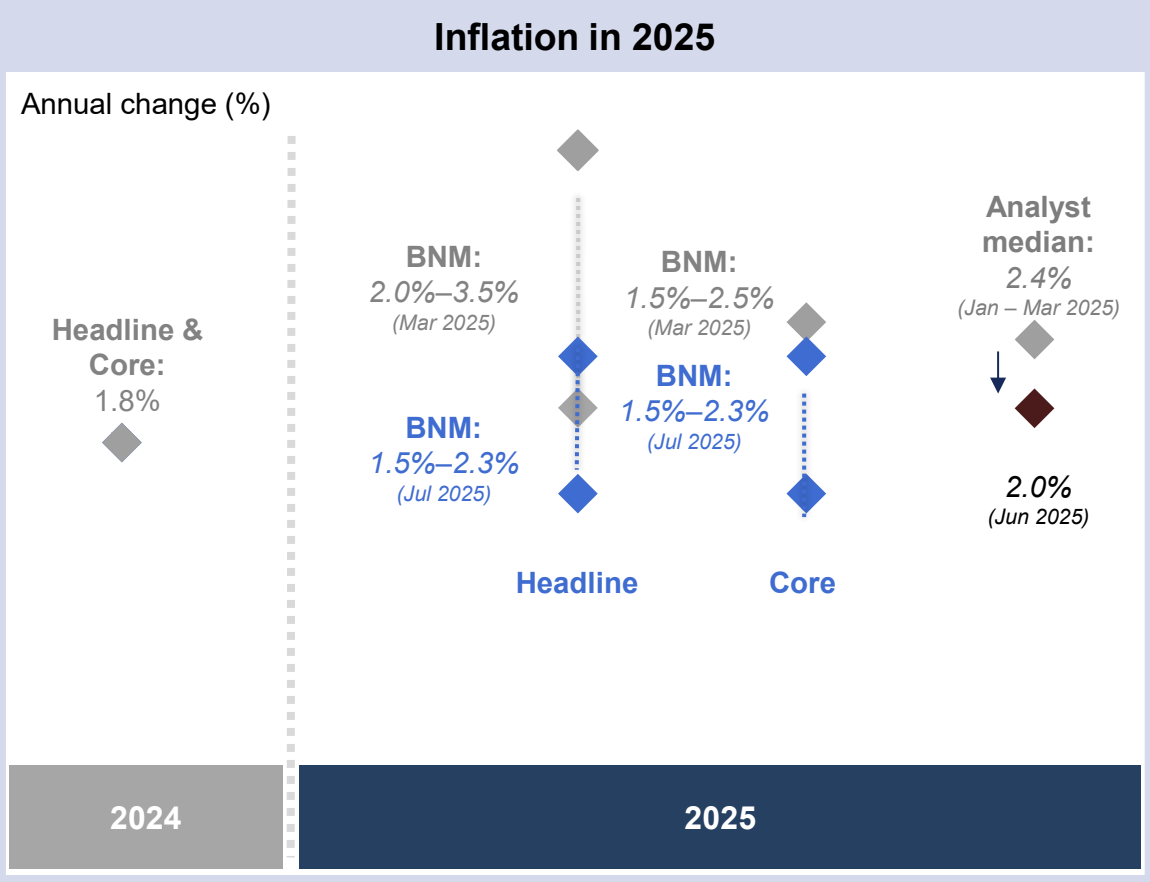

Note: [1] Average of past inflation is calculated based on monthly inflation data from Jan-11 to Dec-19

Source: Department of Statistics Malaysia and Bank Negara Malaysia estimates

Source: Department of Statistics, Malaysia and Bank Negara Malaysia estimates

# Inflation outlook is projected to remain moderate

**Headline inflation is expected to average between 1.5%-2.3% in 2025 given more moderate demand and cost outlook**




**Upside risks**

- ▲ Higher crude oil price mainly from escalation in geopolitical tensions
- ▲ Higher cost of imported inputs due to supply chain disruptions
- ▲ Larger spillovers from domestic policies to broader prices

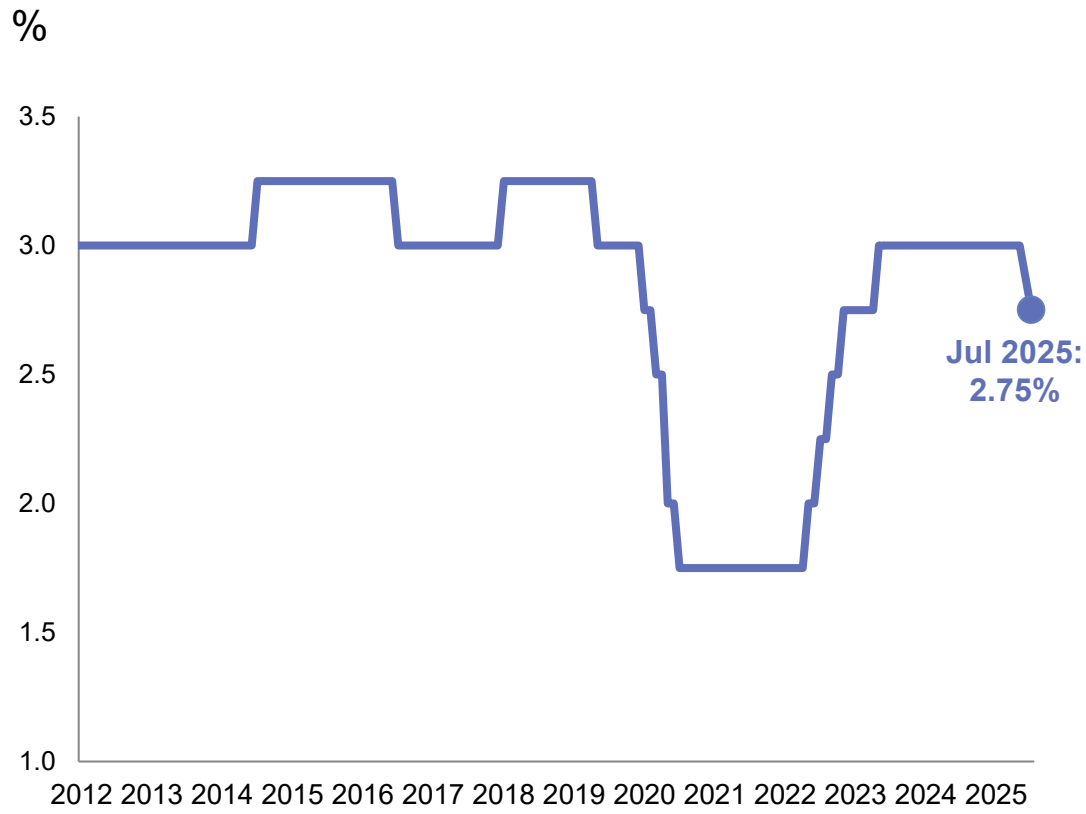
**Downside risks**

- ▼ Lower global commodity prices as a result of weaker global growth and trade activity
- ▼ Slower wage growth due to weaker export demand
- ▼ Smaller cost pass-through from policy reforms

Sources: Department of Statistics Malaysia, BNM estimates and consensus forecast

# The OPR was reduced to 2.75% at the July 2025 MPC meeting

**Overnight Policy Rate, OPR**




Source: Bank Negara Malaysia

**OPR reduction was a pre-emptive measure** aimed at preserving Malaysia's steady growth path amid moderate inflation prospects

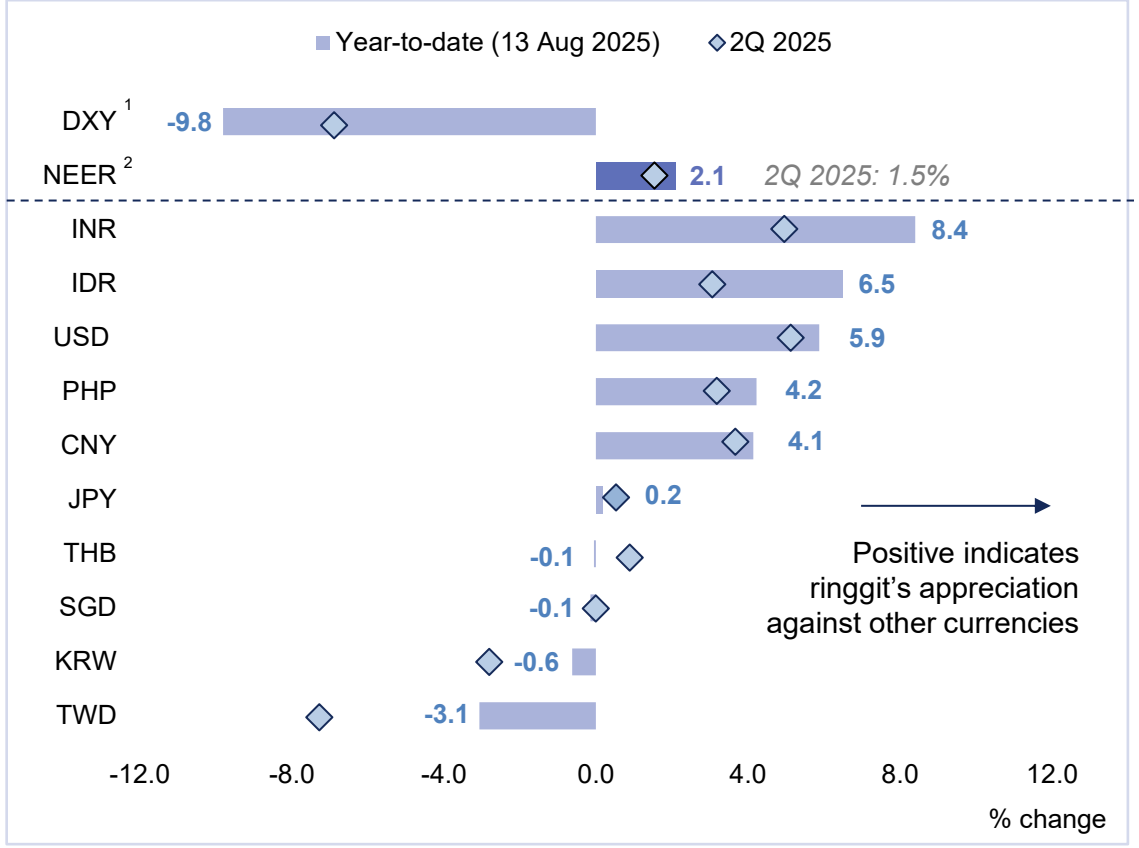
The MPC assessed that:

- *Malaysia's economy is on a strong footing, underpinned by resilient domestic demand*
- *However, uncertainties from external developments could affect domestic prospects*
- *Inflation is expected to remain moderate*

**The MPC will continue to remain vigilant to ongoing developments** and assess the balance of risks surrounding the outlook for domestic growth and inflation

# The ringgit continued to appreciate against currencies of major trading partners in 2Q amid challenging global environment

## Ringgit's Movements Against Selected Currencies




## Factors Affecting the Ringgit

***Broad US dollar weakness***
Given investor concerns surrounding US economic growth prospects in light of fiscal and trade policy developments

***Global investor risk aversion***
Downside risks to the global trade and economic outlook from ongoing trade negotiations and geopolitical tensions in the Middle East

***Continued coordinated efforts***
Encouraging more consistent and timely repatriation from domestic corporates to ensure sufficient liquidity in the domestic FX market

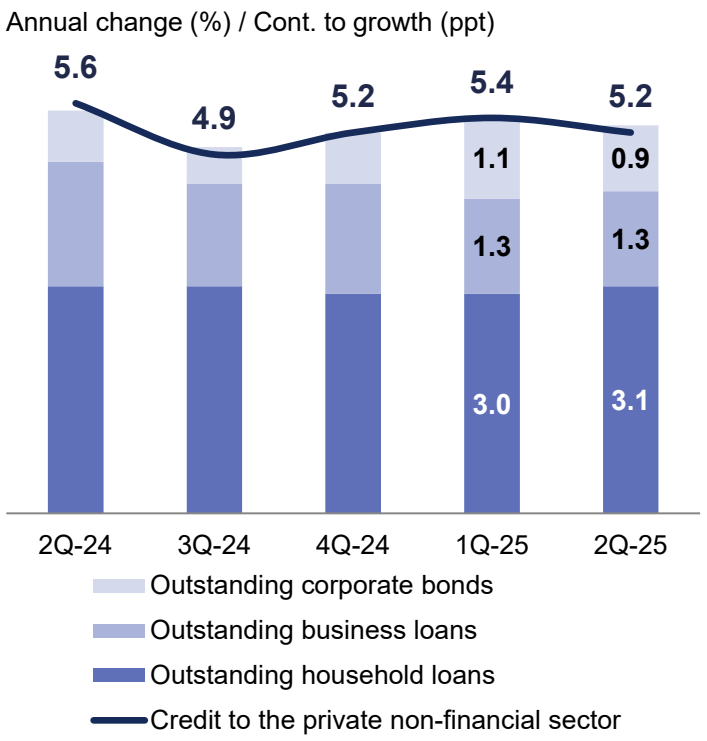
**Year-to-date (as of 13 August 2025):** Ringgit appreciated by 2.1% on a NEER basis and by 5.9% against the US dollar.

Note:
[1] The US Dollar Index (DXY) is an index of the US dollar value against a basket of foreign currencies, namely EUR (57.6%), JPY (13.6%), GBP (11.9%), CAD (9.1%), SEK (4.2%), and CHF (3.6%).
[2] NEER refers to the ringgit nominal effective exchange rate, measuring the ringgit's performance against a basket of currencies of Malaysia's major trading partners.
Source: Bank Negara Malaysia and Bloomberg

# Broadly sustained credit growth following steady growth in outstanding loans

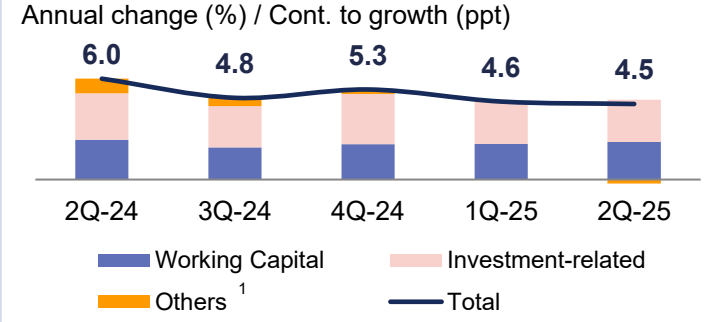
## Credit growth was broadly sustained…

### Credit to the Private Non-Financial Sector

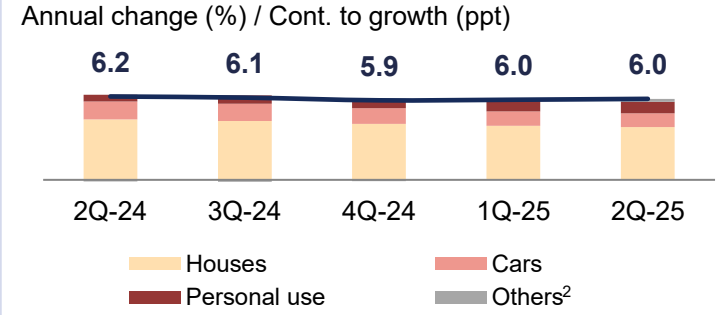



## …with steady loan growth for both households and businesses

### Outstanding Business Loan Growth

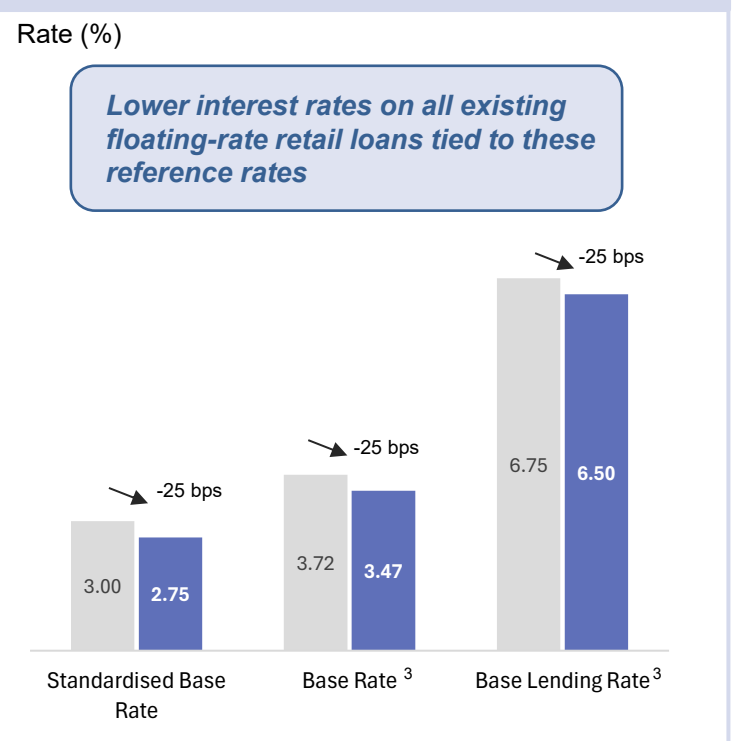



### Outstanding Household Loan Growth




## Strong and immediate transmission to interest rates of households' existing floating-rate loans

### Change in Retail Interest Rates Post-OPR Reduction

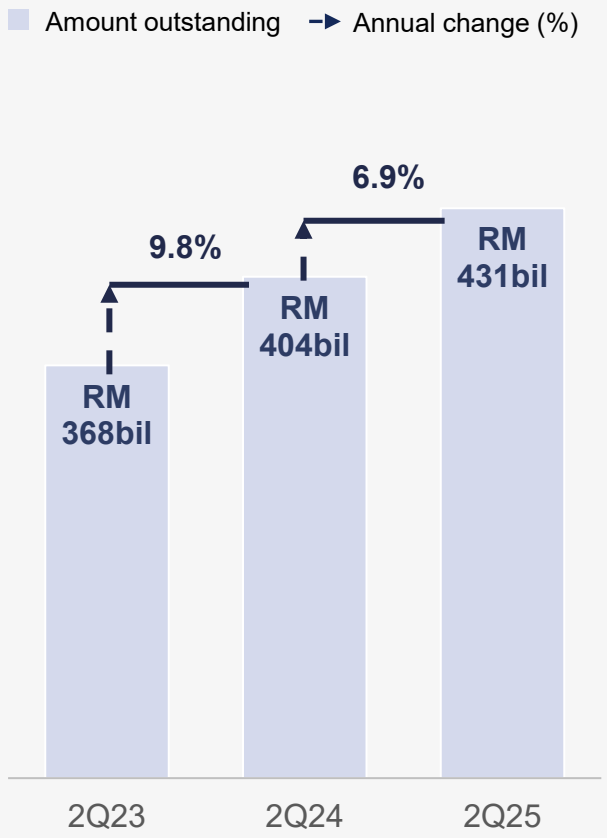



[1] Includes loans for the purchase of securities, mergers and acquisitions, credit cards, and other purposes
[2] Includes loans for the purchase of non-residential property, credit cards, and other purposes
[3] Preliminary figure for July 2025. Figures refer to simple average of Base Rate and Base Lending Rate for commercial banks with notable floating-rate retail loans
Source: Bank Negara Malaysia

# Steady SMEs' financing growth for 2Q 2025

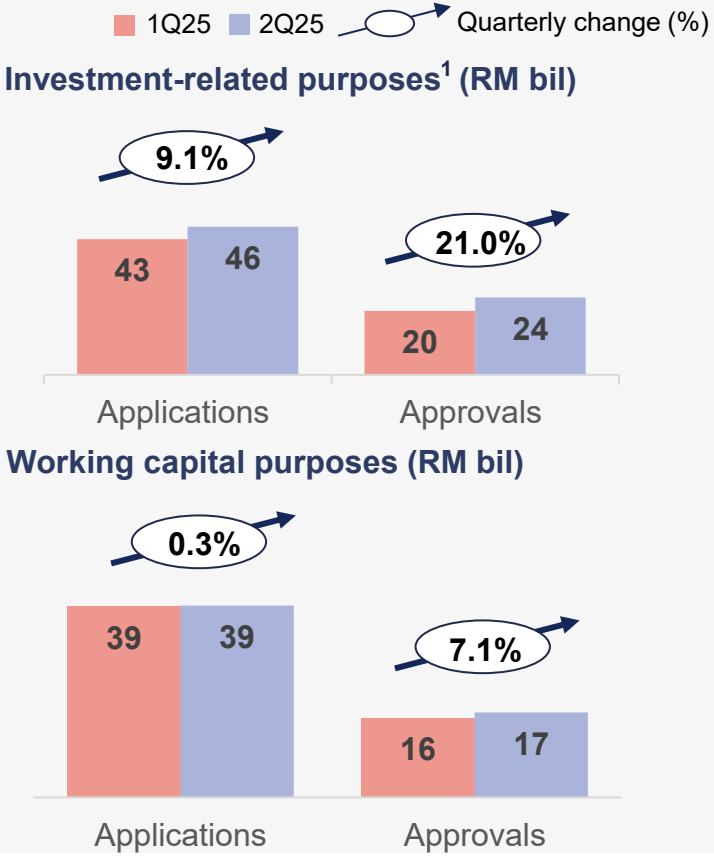
## Outstanding SME financing expanded at 6.9%

### SME Financing: Outstanding




## Financing application and approval remain forthcoming for both purposes

### SME Financing: Applications and approvals by Purpose




## Steady growth in financing disbursement, driven by services, construction and manufacturing sectors

### SME Financing: Disbursements by Sector

| RM bil | 1H24 | 1H25 | Annual Change (%) |
|---|---|---|---|
| **Overall** | 281 | 295 | 4.9 |
| **By Sectors** | **1H24** | **1H25** | **Contribution to Change (Ppt)** |
| *Services* | 177 | 187 | 3.7 |
| *Manufacturing* | 62 | 64 | 0.5 |
| *Construction* | 32 | 35 | 1.0 |
| *Agriculture* | 8 | 8 | -0.2 |
| *Mining* | 2 | 2 | -0.1 |

1. Investment-related purpose includes financing for the purchase of non-residential properties, residential properties for business use, fixed assets (incl. cars), and construction activity.
Note: Reflects loan/financing from the banking system and development financial institutions (DFIs)
Source: Bank Negara Malaysia

# Banks remain well-positioned to support financial intermediation

## Banks' strong capital and liquidity positions help sustain financing to the real economy

*As at June 2025*

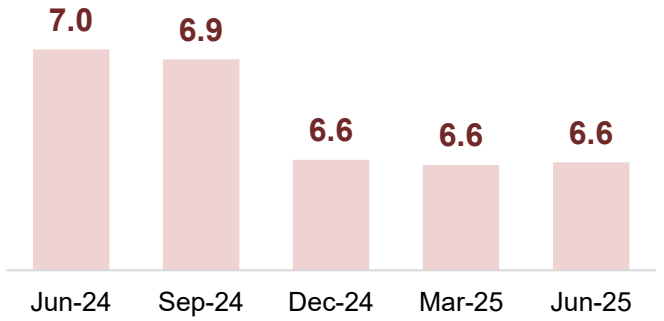
**17.8%** — **Total Capital Ratio** *(Mar-25: 17.8%)*

**160.6%** — **Liquidity Coverage Ratio** *(Mar-25: 151.6%)*

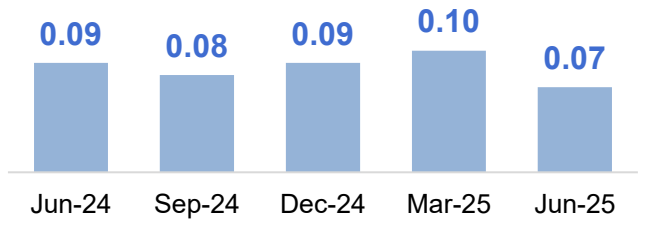
**115.7%** — **Net Stable Funding Ratio** *(Mar-25: 115.2%)*

## Asset quality of banks remains sound

### Stage 2 Loans Ratio, %

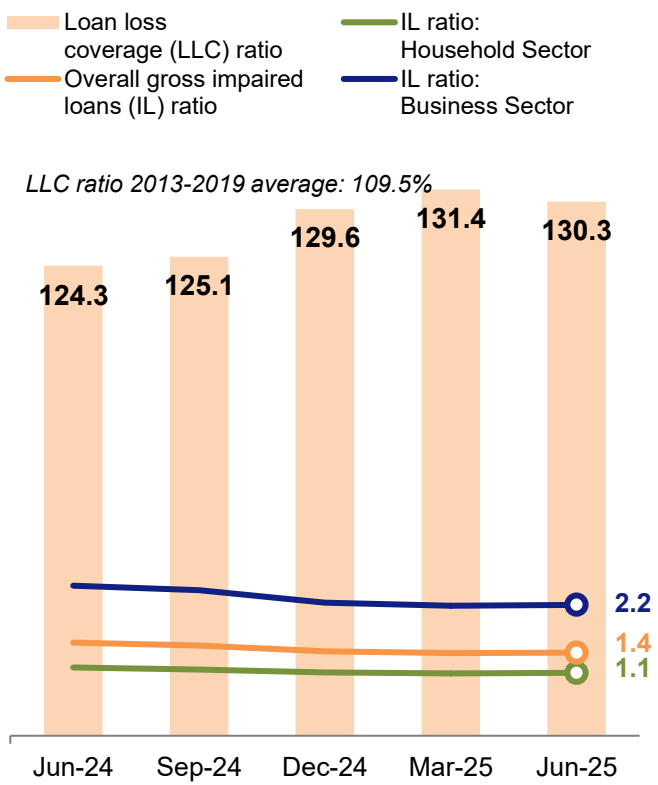



### Newly Restructured and Rescheduled Loans, % of Total Banking System Loans




## Prudent provisioning despite low impairment levels

### Impaired Loans Ratio[1] & Loan Loss Coverage Ratio (including regulatory reserve), %




[1] Impaired loans ratio is based on loans classified as Stage 3 under MFRS 9.
Source: Bank Negara Malaysia

# Summary

**The Malaysian economy expanded further by 4.4% in the second quarter of 2025,** driven by robust expansion in domestic demand and continued export growth

The Malaysian economy is projected to grow between **4.0% and 4.8%** in 2025 amid challenging global environment

Balance of risk to the growth outlook is **subject to both downside and upside risks**, given lingering global uncertainty

**Headline inflation** is projected to **remain moderate in 2025**

# AKPK has launched a financial management service to assist policyholders affected by premium revisions of MHIT product repricing

AKPK
Agensi Kaunseling Dan Pengurusan Kredit
Credit Counseling And Debit Management Agency

1. Visit an AKPK branch today and engage a financial advisor if you are facing financial hardship arising from MHIT product repricing

2. AKPK will assist policyholders to develop a tailored financial management plan to help you maintain your coverage based on your overall financial obligations

3. This service is available nationwide at all AKPK branches effective 15 August 2025

MIFC GLOBAL IMPACT CHALLENGE

Accelerating Innovation. Empowering Change

# Got a Financial Solution that can make a difference?

## Help build social and climate resilience

**Deadline extended! Submit your value-based solution by 25 August 2025**

*#MIFCImpactChallenge*

Global Partners

HKTDC 香港貿發局

IsDB Islamic Development Bank البنك الإسلامي للتنمية

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WORLD BANK GROUP Inclusive Growth & Sustainable Finance Hub in Malaysia

Co-organisers

BANK NEGARA MALAYSIA CENTRAL BANK OF MALAYSIA

MIFC MALAYSIA INTERNATIONAL ISLAMIC FINANCIAL CENTRE LEADERSHIP COUNCIL

In Support of

MALAYSIA WORLD'S ISLAMIC FINANCE MARKETPLACE

Knowledge Partner

ASIA School of Business in collaboration with MIT Sloan Management

Ecosystem Partner

FAOM Fintech Association of Malaysia

Media Partner

IFN Islamic Finance news

# Additional Information

# Breakdown of 2Q 2025 GDP (% yoy)

## Annual Change in GDP Growth by Component

| Real GDP (% YoY) | Share, % (2024) | 2024 | | 2025 | |
|---|---|---|---|---|---|
| | | 1Q | 2Q | 1Q | 2Q |
| **Services** | **59.4** | **4.8** | **5.9** | **5.0** | **5.1** |
| **Manufacturing** | **23.1** | **2.1** | **4.7** | **4.1** | **3.7** |
| **Agriculture** | **6.3** | **1.9** | **7.6** | **0.7** | **2.1** |
| **Mining and Quarrying** | **6.0** | **4.3** | **2.7** | **-2.7** | **-5.2** |
| **Construction** | **4.0** | **11.9** | **17.2** | **14.2** | **12.1** |
| **Real GDP** | **100.0** | **4.2** | **5.9** | **4.4** | **4.4** |

Note: Numbers may not add up due to rounding and exclusion of import duties component.
Source: Department of Statistics, Malaysia

| Real GDP (% YoY) | Share, % (2024) | 2024 | | 2025 | |
|---|---|---|---|---|---|
| | | 1Q | 2Q | 1Q | 2Q |
| **Domestic Demand (Excluding Stocks)** | **95.2** | **6.1** | **6.5** | **6.0** | **7.0** |
| **Private Sector** | **77.2** | **5.7** | **7.1** | **5.9** | **6.8** |
| Consumption | 60.7 | 4.7 | 5.7 | **5.0** | **5.3** |
| Investment | 16.5 | 9.2 | 12.0 | **9.2** | **11.8** |
| **Public Sector** | **18.0** | **8.4** | **3.4** | **6.2** | **8.1** |
| Consumption | 13.2 | 7.3 | 1.8 | **4.3** | **6.4** |
| Investment | 4.8 | 11.5 | 9.1 | **11.6** | **13.6** |
| **Net Exports of Goods and Services** | **4.2** | **-8.3** | **0.3** | **19.6** | **-72.6** |
| Exports | 68.1 | 4.2 | 8.5 | **4.1** | **2.6** |
| Imports | 63.9 | 5.2 | 9.0 | **3.1** | **6.6** |
| **Real GDP** | **100.0** | **4.2** | **5.9** | **4.4** | **4.4** |

Note: Numbers may not add up due to rounding and exclusion of stocks.
Source: Department of Statistics, Malaysia

# Financial account recorded a net outflow

## Other investment outflows more than offset inflows from direct and portfolio investment

| RM billion | 2024 | | 2025 | | |
|---|---|---|---|---|---|
| | 4Q | Year | 1Q | 2Q | 1H |
| **Direct Investment** | **13.5** | **17.7** | **12.1** | **2.2** | **14.3** |
| *Direct Investment Abroad (DIA)** | -5.2 | -33.9 | -3.5 | -0.6 | -2.9 |
| *Foreign Direct Investment (FDI)** | 18.7 | 51.5 | 15.6 | 1.6 | 17.2 |
| **Portfolio Investment** | **-42.0** | **-84.1** | **-48.3** | **16.4** | **-31.9** |
| *Residents* | -25.7 | -107.3 | -34.4 | -22.6 | -57.0 |
| *Non-residents* | -16.3 | 23.2 | -13.9 | 39.0 | 25.1 |
| **Financial Derivatives** | **2.7** | **2.8** | **-1.7** | **1.3** | **-0.4** |
| **Other Investment** | **16.5** | **58.7** | **17.6** | **-22.1** | **-4.5** |
| **Financial Account Balance** | **-9.3** | **-4.9** | **-20.3** | **-2.2** | **-22.5** |

**Continued FDI inflows amid marginal DIA inflows**

**Portfolio investment turned around to record net inflows**

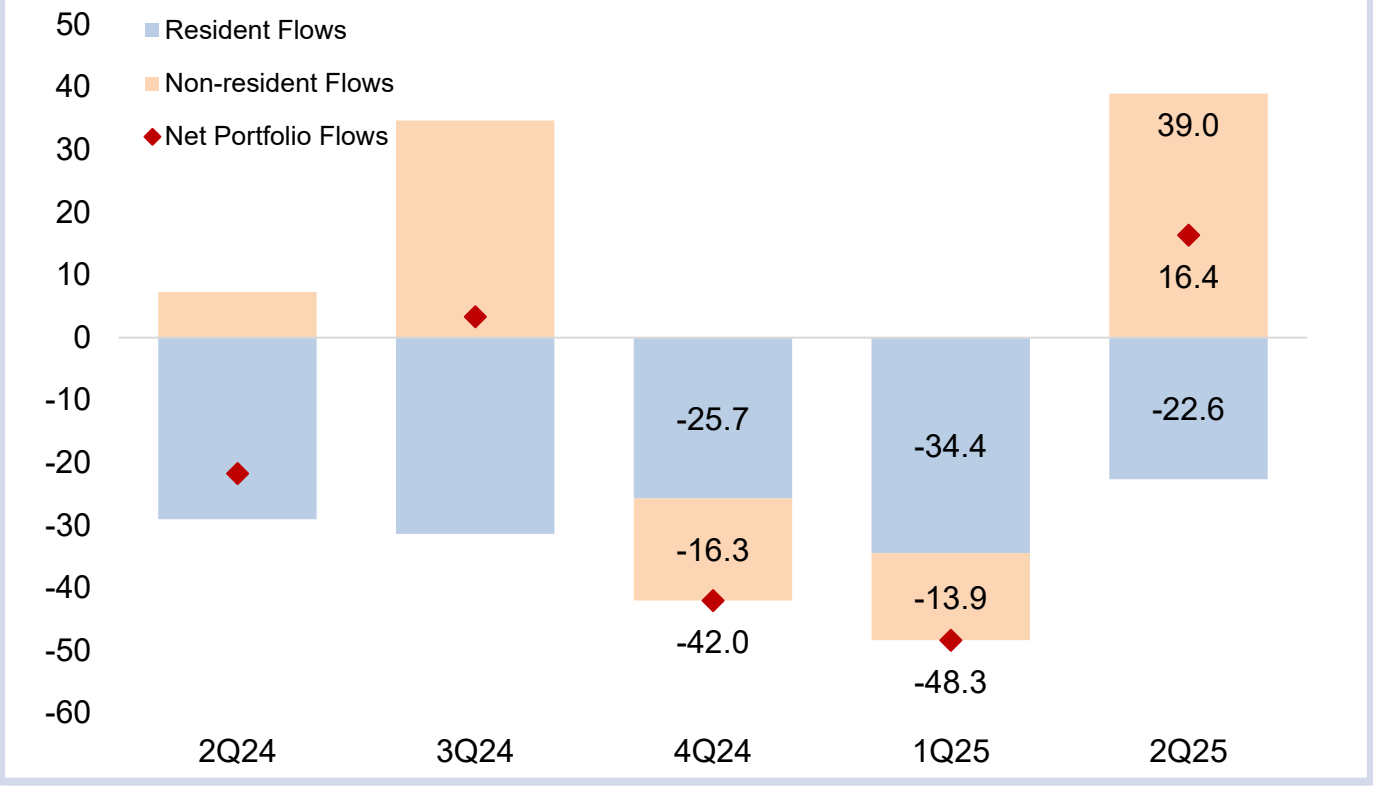
**Net outflows in other investment mainly attributable to interbank deposit placements abroad**

*As per the IMF's BPM5 classifications (i.e. directional basis).
Note: Numbers may not add up due to rounding.
Source: Department of Statistics, Malaysia and Bank Negara Malaysia

# Portfolio investment recorded a net inflow

## Net portfolio inflows in 2Q 2025 were primarily supported by higher non-resident investments into debt securities

**Portfolio Investment Flows** *(RM billion)*




**Factors affecting portfolio investment flows in 2Q 2025**

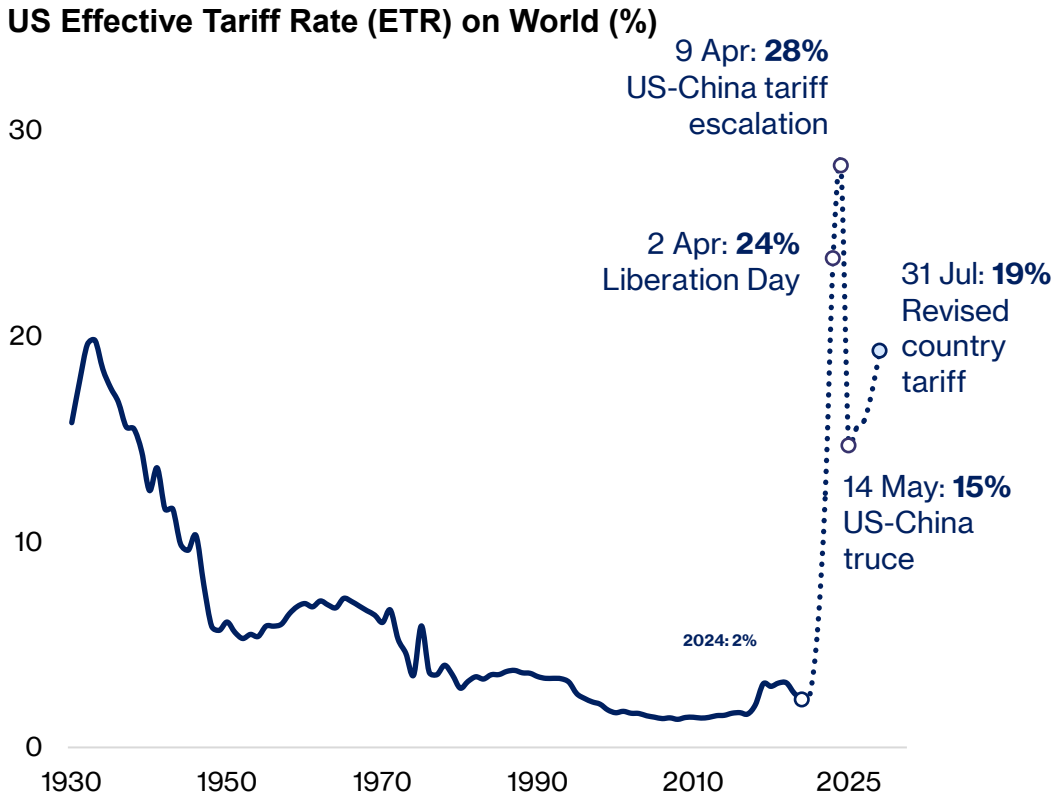
Greater acquisition of domestic debt securities by non-resident investors

Partially offset by greater resident purchases of debt securities abroad

Source: Department of Statistics, Malaysia

# New GDP forecast accounts for the higher tariff rate environment

## Tariff rates imposed by the US administration have been higher than initially expected during the EMR publication in March




Note: For further information, please refer to the White Box titled 'Revised Growth Forecast: Resilience Amid Global Headwinds' in the BNM Quarterly Bulletin 2Q 2025.
Source: US Bureau of Economic Analysis, Global Trade Atlas and staff estimates

## New GDP forecast captures a range of tariff outcomes

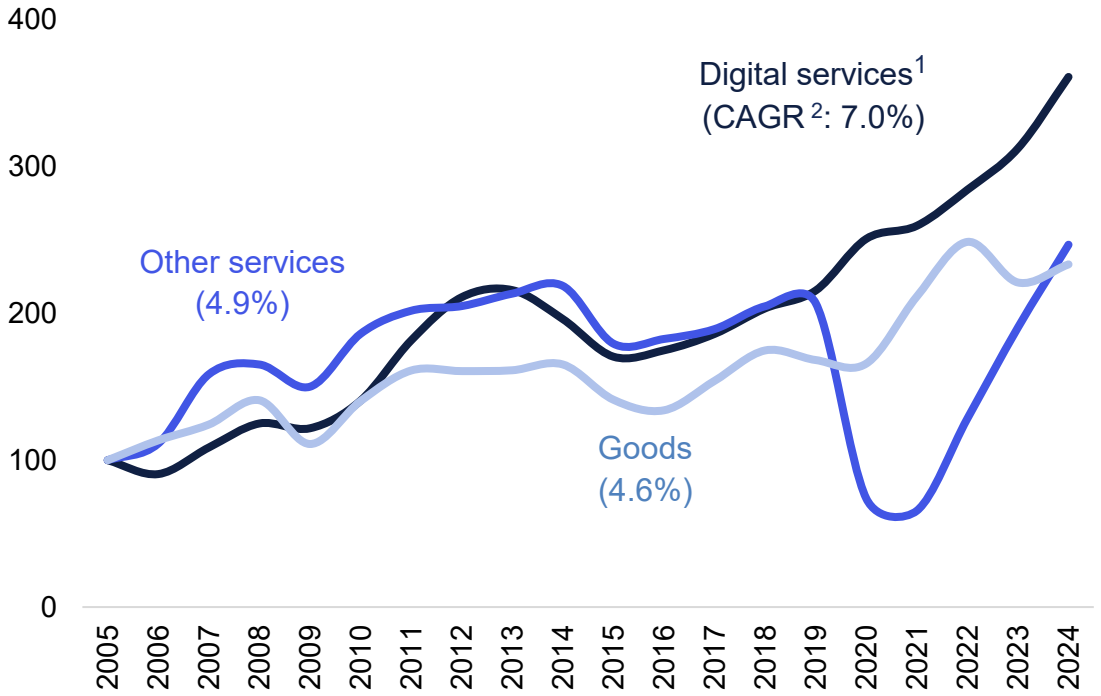
| Assumption | Low tariff outcome | High tariff outcome |
|---|---|---|
| **US ETR[1] on the World** | 13% | 29% |
| **Country tariff[2]** | 1. China: 30%[3]<br>2. Other countries: Tariff rates at the 'pause' rate of 10% | 1. China: 50%[4]<br>2. Other countries: Tariff rates at their 2 Apr rates (e.g. TW: 32%) or trade deals (e.g. MY: 25%; VN: 20%) |
| **Product tariff[2]** | 1. 50% on steel, aluminium and copper<br>2. 25% on auto<br>3. 0% on currently exempted items | 1. 50% on steel, aluminium and copper<br>2. 25% on auto<br>3. 25% on currently exempted items |

[1] Calculates revenue from US customs duties as a percentage of its imports.
[2] Additional tariff from 2024 levels.
[3] Assumes tariff announced during the US-China 90-day truce is permanent.
[4] Time-weighted rate assuming tariff rate reverts to 54% once the US-China 90-day truce lapses on 12 Aug.

# As global trade faces increasing uncertainty, digital services trade can play a crucial role in supporting Malaysia's external resilience

## Malaysia's exports of digital services have grown faster than goods and other services since 2005

**Malaysia's exports of goods, digital services, and other services**
Index (2005=100)




## Unlocking Malaysia's potential in the digital economy requires targeted policies to enhance both hard and soft infrastructure

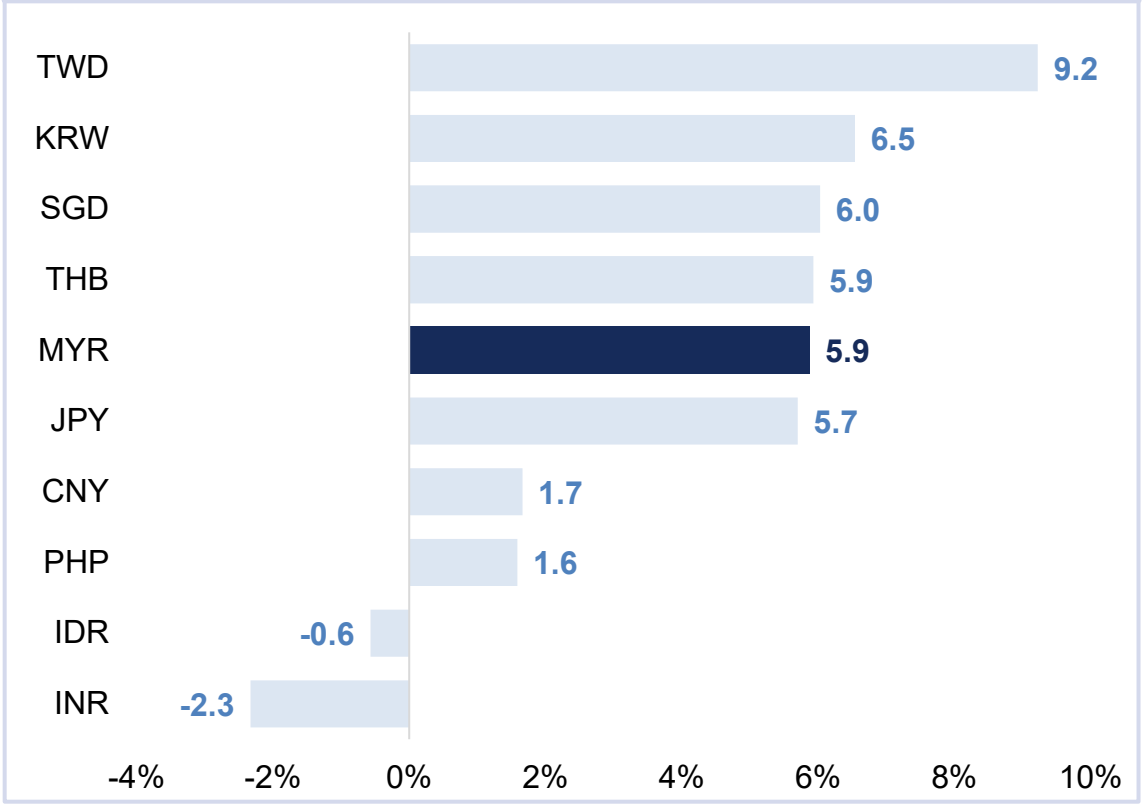
| Policy areas | Motivation | Broad strategy |
|---|---|---|
| 1 **Targeting high-value, low-latency industries** | Maximise the positive spillovers (forward linkages) from data centres. | Leveraging on data centres to develop local high-value downstream industries (e.g. animation, gaming, cloud service providers, cybersecurity). |
| 2 **Enhancing start-up and IP ecosystem** | Reduce import pressure from R&D and IPs. | Increase access to IP financing and strengthen IP court to protect innovations and incentivise R&D investments. |
| 3 **Building digital talent** | Address shortage of high skilled talent in the digital sector. | Strengthen visa and returning expert programmes, expand digital upskilling efforts and align TVET and university curricula with industry needs. |

Note: [1] Digital services include information and communications technology, business and professional services, charges for the use of intellectual property, finance and insurance as well as personal, cultural and recreational services; [2] Refers to compound annual growth rate from 2005 to 2024.
Source: World Trade Organisation, Sixth Edition of Balance of Payments and International Investment Position Manual

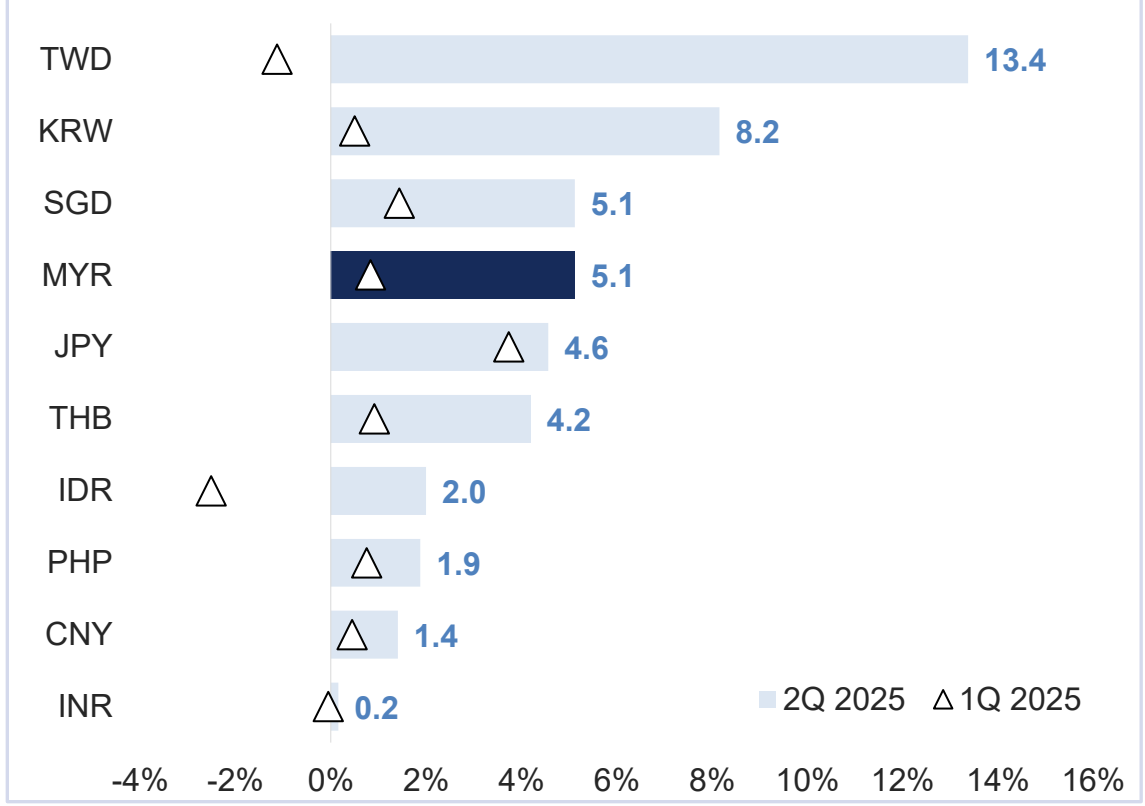
# Most regional currencies, including the ringgit, has appreciated against the US dollar amid broad-based US dollar weakening

## Ringgit and Regional Currency Performance Against the US Dollar, %

### Year-to-date as at 13 August 2025




### First and Second Quarters of 2025

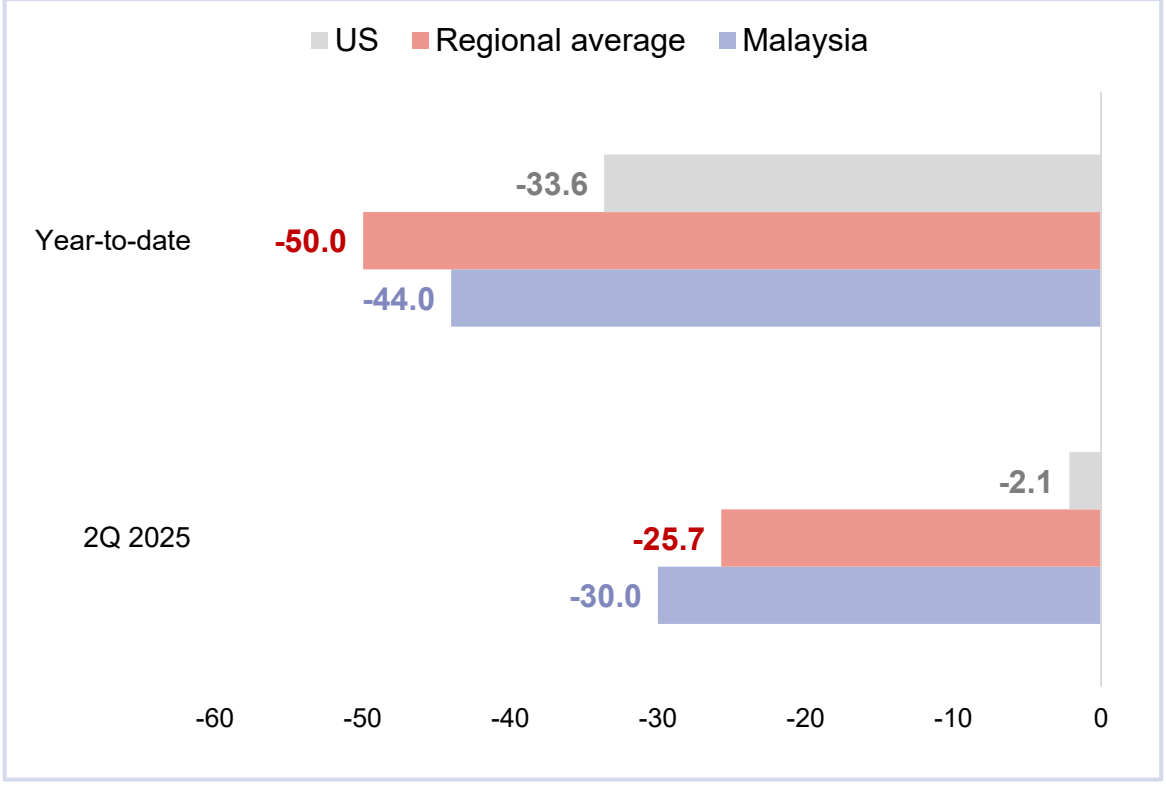



Note: Numbers in the RHS bar chart for Quarter-on-Quarter performance are the 2Q 2025 figures.
Source: Bank Negara Malaysia

# Malaysian bond yields declined while equities rebounded in the second quarter, in line with regional peers

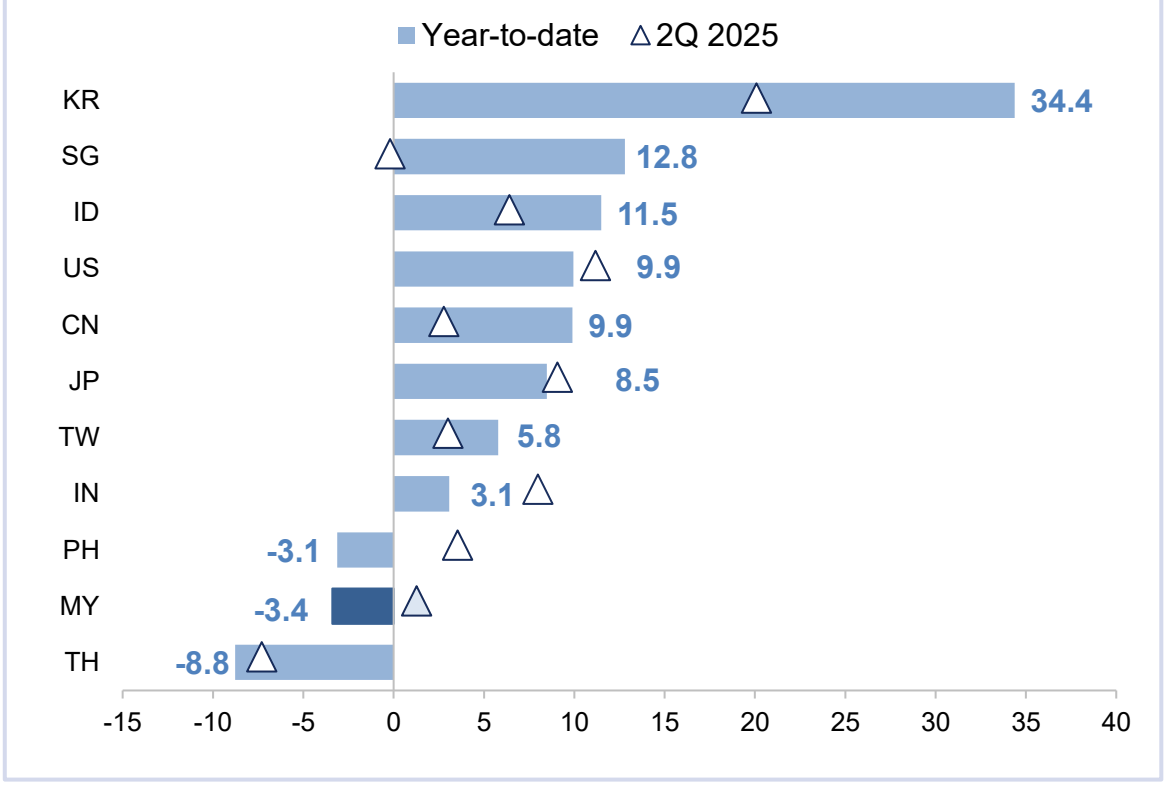
## Lower domestic bond yields amid non-resident inflows into the bond market

### Movement of 10-Year Local Currency Sovereign Bond Yields (in bps)




## Equity performance improved in the second quarter following the 90-day trade tariff truce

### Performance of Equity Indices (% Change)




Notes: Year-to-date as of 13 Aug 2025. Numbers in the bar chart for equity indices are the YTD figures.
Regional average consists of: PH: the Philippines; TH: Thailand; SG: Singapore; KR: South Korea; ID: Indonesia
Source: Bank Negara Malaysia, Bloomberg, ETP, Bursa Malaysia