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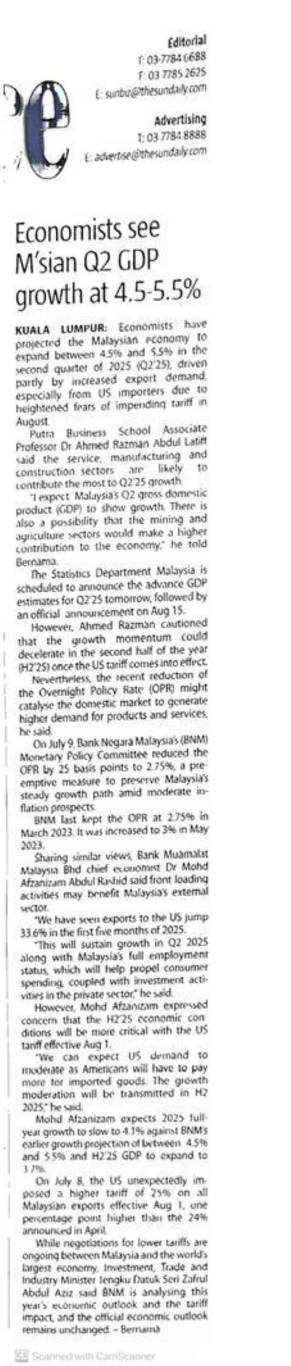

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Economists see M'sian Q2 GDP growth at 4.5-5.5%

KUALA LUMPUR: Economists have projected the Malaysian economy to expand between 4.5% and 5.5% in the second quarter of 2025 (Q2'25), driven partly by increased export demand, especially from US importers due to heightened fears of impending tariff in August.

Putra Business School Associate Professor Dr Ahmed Razman Abdul Latiff said the service, manufacturing and construction sectors are likely to contribute the most to Q2'25 growth.

"I expect Malaysia's Q2 gross domestic product (GDP) to show growth. There is also a possibility that the mining and agriculture sectors would make a higher contribution to the economy," he told Bernama.

The Statistics Department Malaysia is scheduled to announce the advance GDP estimates for Q2'25 tomorrow, followed by an official announcement on Aug 15.

However, Ahmed Razman cautioned that the growth momentum could decelerate in the second half of the year (H2'25) once the US tariff comes into effect.

Nevertheless, the recent reduction of the Overnight Policy Rate (OPR) might catalyse the domestic market to generate higher demand for products and services, he said.

On July 9, Bank Negara Malaysia's (BNM) Monetary Policy Committee reduced the OPR by 25 basis points to 2.75%, a pre-emptive measure to preserve Malaysia's steady growth path amid moderate inflation prospects.

BNM last kept the OPR at 2.75% in March 2023. It was increased to 3% in May 2023.

Sharing similar views, Bank Muamalat Malaysia Bhd chief economist Dr Mohd Afzanizam Abdul Rashid said front loading activities may benefit Malaysia's external sector.

"We have seen exports to the US jump 33.6% in the first five months of 2025.

"This will sustain growth in Q2 2025 along with Malaysia's full employment status, which will help propel consumer spending, coupled with investment activities in the private sector," he said.

However, Mohd Afzanizam expressed concern that the H2'25 economic conditions will be more critical with the US tariff effective Aug 1.

"We can expect US demand to moderate as Americans will have to pay more for imported goods. The growth moderation will be transmitted in H2 2025," he said.

Mohd Afzanizam expects 2025 full-year growth to slow to 4.1% against BNM's earlier growth projection of between 4.5% and 5.5% and H2'25 GDP to expand to 3.7%.

On July 8, the US unexpectedly imposed a higher tariff of 25% on all Malaysian exports effective Aug 1, one percentage point higher than the 24% announced in April.

While negotiations for lower tariffs are ongoing between Malaysia and the world's largest economy, Investment, Trade and Industry Minister Tengku Datuk Seri Zafrul Abdul Aziz said BNM is analysing this year's economic outlook and the tariff impact, and the official economic outlook remains unchanged. – Bernama