



**PRESS RELEASE
MINISTRY OF FINANCE**

**DOMESTIC DEMAND FUELS SECOND QUARTER ECONOMIC GROWTH
AMID HEIGHTENED GLOBAL INSTABILITY**

A robust domestic demand supported the growth of the Malaysian economy against a global backdrop marked by trade and geopolitical uncertainties, sustaining growth at 4.4% in the second quarter of 2025 (Q2 2025). This results in gross domestic product (GDP) growth for the first half of 2025 at 4.4% (1H 2024: 5%), comfortably within the official projection band of 4% to 4.8%.

Domestic demand rose 7% in Q2 2025, outpacing the 6% growth recorded in the preceding quarter. This was driven by thriving household spending, a strong labour market, benign inflation, and buoyant private-sector investment.

On the supply side, growth in the quarter was buoyed by the resilient performance of the services (5.1%) and manufacturing (3.7%) sectors. The services sector benefitted from increased consumer spending and robust tourism activities, while continued expansion of both export- and domestic-oriented industries sustained manufacturing growth.

“Despite global uncertainties, Malaysia’s growth in the first half of 2025 proves that the Ekonomi MADANI policies are yielding results for nation and most importantly, the *rakyat*. Unemployment narrowed down to 3% from 3.1% in the preceding quarter, while headline inflation moderated to 1.3% compared to 1.5% in the preceding quarter — reflecting Malaysia’s favourable economic prospects,” said Finance Minister II YB Senator Datuk Seri Amir Hamzah Azizan.

“The ringgit’s appreciation of 5.3% against the US dollar in Q2 2025, making it one of the best-performing currencies in Asia, reflects investor confidence in the country’s economic and fiscal management. The MADANI Government remains committed to narrowing the fiscal deficit to 3.8% in 2025,” he added.

Further reinforcement of domestic fundamentals with Budget 2026

Looking ahead, the recent tariff measures pose new challenges for affected industries. In response, the MADANI Government is closely monitoring the potential impact of these developments and remains committed to provide targeted support to safeguard competitiveness and minimise trade disruptions. These measures, alongside broader structural reforms, have underpinned the quarter’s steady and broad-based growth momentum.

Guided by the Ekonomi MADANI Framework and the recently announced 13th Malaysia Plan (13MP), the Ministry of Finance is formulating Budget 2026 through comprehensive engagements with stakeholders across key sectors and states. As stated in the Pre-Budget Statement 2026 issued recently, priority will be placed on advancing economic and structural reform measures to ensure that the benefits of growth are shared equitably and sustainably among the rakyat. These efforts are critical to strengthen economic fundamentals and ensure that Malaysia remains agile and resilient in a dynamic global environment.

Ministry of Finance

Putrajaya

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