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2Q25 GDP Growth:	+4.4%
2025 GDP Growth Forecast:	+4.2%
6M25 Headline Inflation:	+1.4%
2025 Headline Inflation Forecast:	+1.9%
BNM OPR:	2.75%
End-2025 OPR Forecast:	2.75%

Malaysia External Trade

Modest growth ahead despite July surprise

- Malaysia's exports surprised on the upside, rising 6.8% YoY (Jun: -3.6%) against expectations of a contraction. Import growth softened to +0.6% (Jun: +1.3%), widening the trade surplus to a four-month high of RM15.0bn.
- The rebound was led by manufactured goods (+9.0% YoY; Jun: -3.3%), particularly E&E. The stronger July print partly reflected higher frontloading ahead of tariffs, as evidenced by increased exports to transshipment hubs such as Singapore, which may prove short-lived.
- Data centre development should remain a near-term driver, sustaining capital imports and underpinning services exports. However, the 17.8% slump in intermediate imports reinforces our view that frontloading activities may have run its course.
- Looking ahead, we expect export growth to moderate through 2025 as reciprocal tariffs kicks in. Downside risks stem from the impending US semiconductor tariff, a potential slowdown in Chinese demand, and a stronger ringgit eroding Malaysia's export competitiveness.

July rebound surprises on the upside

Malaysia's exports posted a stronger-than-expected performance in July, rising by 6.8% YoY (Jun: -3.6%) against Bloomberg consensus of a 2.3% contraction. The rebound was boosted by a jump in re-exports (+42.0%; Jun: +3.4%), while domestic exports registered a smaller contraction (-1.9%; Jun: -5.4%). Gross imports' growth softened to +0.6% (Jun: +1.3%), with resilience in capital goods offset by a sharp decline in intermediate goods demand. Consequently, the trade surplus widened to RM15.0bn, the highest in four months (Jun: RM8.4bn). On a YTD basis, the growth of exports and imports have moderated to +4.3% and +5.1% respectively (7M24: +5.3% and +15.5%).

Manufacturing-led rebound; potential frontloading in play

Export strength was underpinned by a pick-up in manufactured goods (+9.0% YoY; Jun: -3.3%), driven by E&E products and optical & scientific equipment. By destination, shipments to China rebounded strongly (+6.8%; Jun: -9.3%), while the EU (+5.7%; Jun: +4.6%) and ASEAN (+8.5%; Jun: -13.8%) also recorded firmer growth. Exports to the US moderated to +3.8% (Jun: +4.7%), but remained supported by E&E. The stronger July print was driven by higher exports to transshipment hubs such as Singapore, a typically volatile component that may prove short-lived. It may also point to intermittent frontloading ahead of the US tariffs announced in August.

Meanwhile, agriculture (-8.6% YoY; Jun: +17.5%) weighed on export performance, with palm oil export volume falling by 12.1% despite prices rising by 1.9% to RM4,113/mt. Mining exports declined, albeit at a softer pace. Both LNG (-7.2%; Jun: -26.5%) and crude petroleum (-0.9%; Jun: -49.7%) showed early signs of recovery following prior maintenance-related disruptions.

Investment resilience contrasts with softening trade signals

Imports of capital goods remained strong (+20.6% YoY; Jun: +20.2%), reflecting sustained investment momentum. BNM highlighted that a surge in equipment imports for data centres was a key driver, with several facilities ramping up production. We foresee the data centre development trend to sustain in the near term, supporting capital imports while underpinning services exports and the current account.

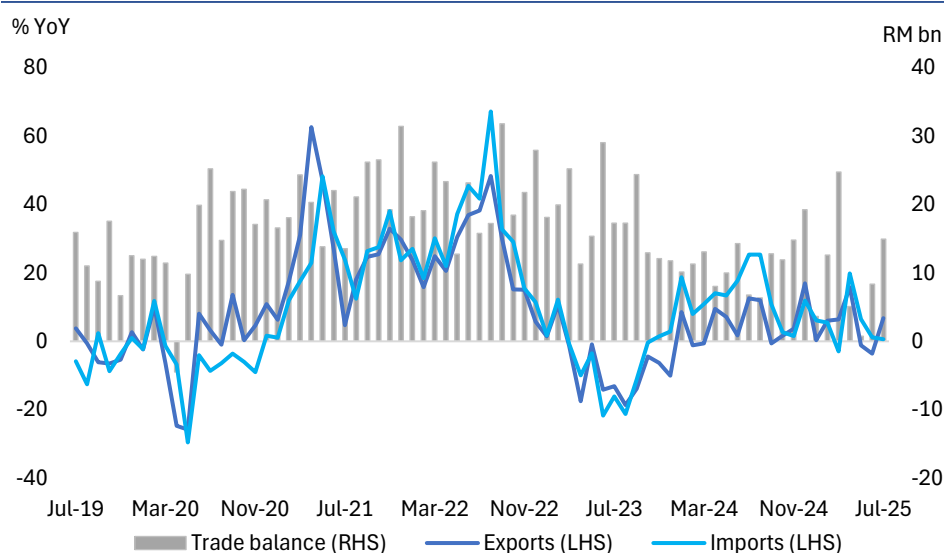
In contrast, intermediate imports slumped (-17.8% YoY; Jun: -0.9%). As a proxy for future export performance, the sharp drop in intermediate imports signals weakening order pipelines and production flows, reinforcing our view that frontloading activities may have run its course and that export momentum will soften ahead.

Modest outlook, risks tilted to the downside

Notwithstanding the July's export strength, we expect export growth to moderate through 2025 as frontloading fades and reciprocal tariffs kick in. The impending US tariff on semiconductors adds to the risks, though we believe the presence of large MNCs with US footprints will help cushion the blow. Softer retail and industrial data in China may suggest cooling global demand. Meanwhile, the Ringgit has largely strengthened against major currencies including Vietnamese Dong (+9.4%), Indonesian Rupiah (+6.1%), US Dollar (+5.8%) and Chinese Yuan (+4.3%), which could erode Malaysia's export competitiveness.

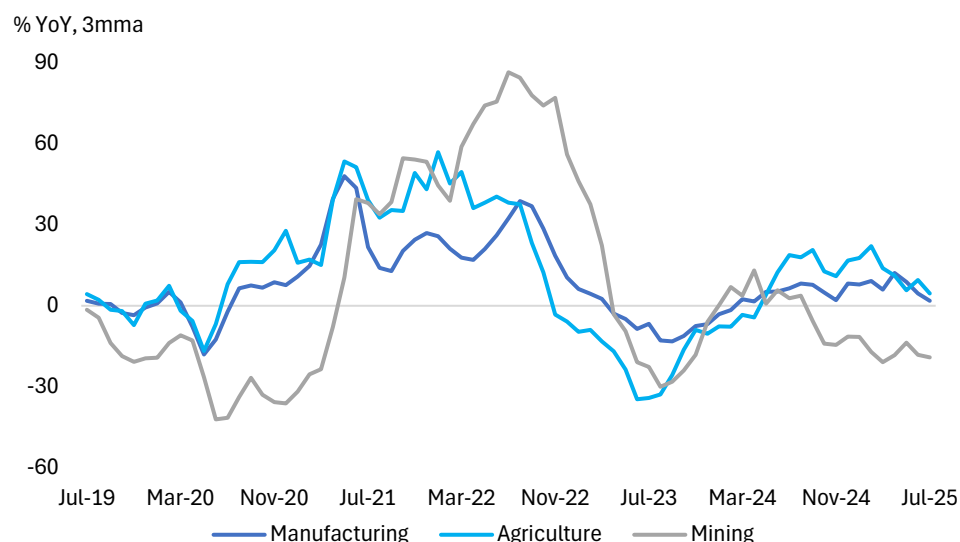
On a positive note, the global tech upcycle and robust semiconductor demand should underpin E&E exports (c.40% of total exports), while recovery in oil & gas production adds further support. Overall, we project modest export growth of +2.9% YoY in 2025 (2024: +5.8%), while maintaining GDP growth projection at +4.2% (2024: +5.1%).

Figure 1: Exports registered a strong rebound of 6.8% in July



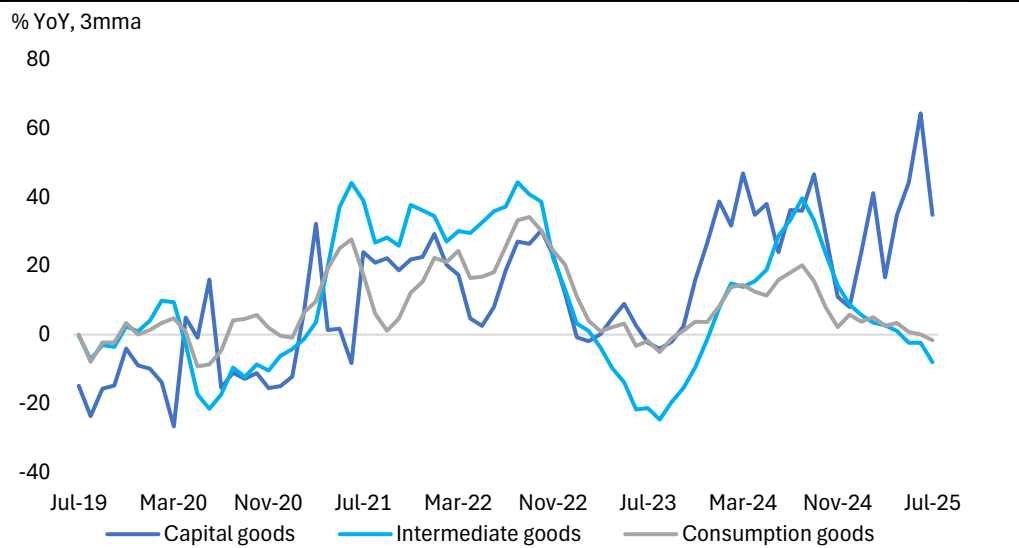
Source: Macrobond, Apex Securities

Figure 2: Manufacturing led the export growth in July



Source: Macrobond, Apex Securities

Figure 3: Captial goods supported by equipment imports for data centres



Source: Macrobond, Apex Securities

Recommendation Framework:

BUY: Total returns* are expected to exceed 10% within the next 12 months.

HOLD: Total returns* are expected to be within +10% to – 10% within the next 12 months.

SELL: Total returns* are expected to be below -10% within the next 12 months.

TRADING BUY: Total returns* are expected to exceed 10% within the next 3 months.

TRADING SELL: Total returns* are expected to be below -10% within the next 3 months.

*Capital gain + dividend yield

Sector Recommendations:

OVERWEIGHT: The industry defined by the analyst is expected to exceed 10% within the next 12 months.

NEUTRAL: The industry defined by the analyst is expected to be within +10% to – 10% within the next 12 months.

UNDERWEIGHT: The industry defined by the analyst, is expected to be below -10% within the next 12 months.

ESG Rating Framework:

★★★★★ : Appraised with 3% premium to fundamental fair value

★★★★ : Appraised with 1% premium to fundamental fair value

★★★ : Appraised with 0% premium/discount to fundamental fair value

★★ : Appraised with -1% discount to fundamental fair value

★ : Appraised with -5% discount to fundamental fair value

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(a) nil.
