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|-----------------------------------|-------|
| 2Q25 GDP Growth:                  | +4.4% |
| 2025 GDP Growth Forecast:         | +4.2% |
| 7M25 Headline Inflation:          | +1.4% |
| 2025 Headline Inflation Forecast: | +1.9% |
| BNM OPR:                          | 2.75% |
| End-2025 OPR Forecast:            | 2.75% |

## Malaysia External Trade

### Tariff impact appears contained for now

- Malaysia's modest export growth of +1.9% YoY (Jul: +6.5%) undershot consensus estimates, while gross imports contracted by 5.9% (Jul: +0.6%). Consequently, the trade surplus widened to a five-month high of RM16.1bn.
- Slowdown in export growth was led by softer manufactured goods (+1.7% YoY; Jul: +8.7%), particularly E&E, while strength in non-US markets provided a buffer as US tariffs loom.
- Sustained capital-goods imports (+11.0% YoY; Jul: +20.3%) point to ongoing private investment momentum, though this could weigh on the trade balance in the near term.
- The headline trade numbers indicate that impact from US reciprocal tariffs remains milder than initially feared. That said, risks are tilted to the downside, including a potential US semiconductor tariff, softer Chinese demand, lower crude oil prices and a stronger ringgit.

### Exports hold steady in August

Malaysia's exports notched a second month of growth in August, rising by 1.9% YoY, though easing from July's 6.5% gain and below Bloomberg consensus estimate of 3.0% growth. Gross imports contracted by 5.9% (Jul: +0.6%) as capital goods moderated and intermediate goods demand continued to decline. Consequently, the trade surplus widened further to RM16.1bn, the highest in five months (Jul: RM14.6bn). On a YTD basis, exports and imports grew 3.9% and 3.6% respectively (8M24: +6.1% and +16.7%), still above our full-year forecast.

### Resilient demand beyond the US cushions tariff risk

Slowdown in export growth was led by softer manufactured goods (+1.7% YoY; Jul: +8.7%), with E&E, chemical products and metals pulling back from July's surge. By destination, shipments to Singapore slowed sharply (+2.7%; Jul: +22.2%), while exports to the US contracted (-16.7%; Jul: +3.8%), partly reflecting a high base in Aug-24. In contrast, exports to China (+10.4%; Jul: +6.1%) and the EU (+9.7%; Jul: +5.7%) strengthened. The broad resilience in key markets beyond the US signals some cushion as US tariff risks loom.

Commodity exports provided some relief. Agriculture rebounded (+4.5% YoY; Jul: -9.8%), as palm oil exports was supported by a 10.7% rise in palm oil prices to RM4,329/mt. Mining exports contracted at a slower pace (-2.4%; Jul: -4.4%), led by an improvement in LNG (-2.6%; Jul: -7.2%) as production recovered from earlier maintenance-related disruptions.

### Investment momentum still has legs

Capital goods imports held up (+11.0% YoY; Jul: +20.3%), moderating but still signalling healthy private investment momentum. The strength was driven by sustained data-centre expansion and ongoing national infrastructure projects, which continue to anchor medium-term growth and bolster services exports. That said, the firm pace of capital goods imports may weigh on the trade balance in the near term.

Intermediate goods imports remained weak (-16.8% YoY; Jul: -17.8%), partly on high base effects but also signalling softer order pipelines. While the base effects should ease from next month onwards, the underlying trend still reinforces our view that export momentum is likely to stay modest ahead, especially under an uncertain trade environment.

### Cautious outlook as tariff risks loom

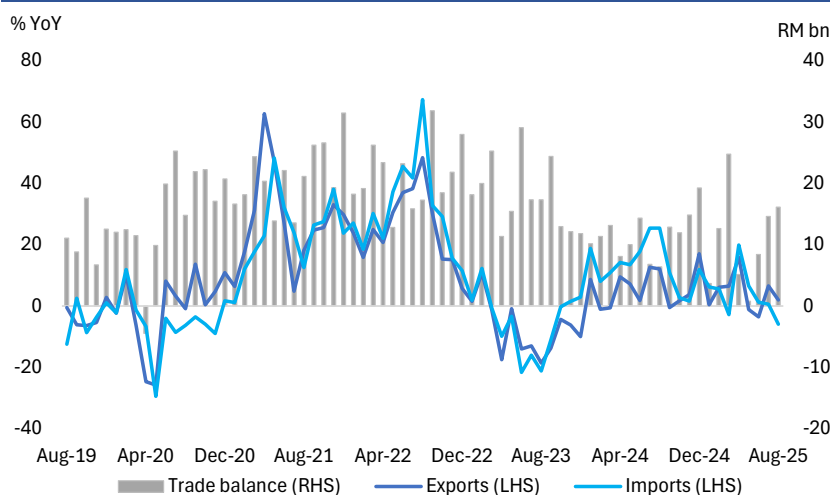
August's trade data showed no immediate drag from the US reciprocal tariffs implemented on 8 August. While it is premature to conclude from one month's data, the impact so far appears milder than initially feared. Even so, exports are likely to remain subdued in the near term as tariff-related risks linger.

For now, steady demand for E&E products amid the global tech upcycle should provide support, while the extension of the US-China trade truce to mid-November offers some hopes of de-

escalation in tensions. Over the medium term, continued diversification of export markets should reduce over-reliance on a single market, although we may see bouts of volatility during the transition.

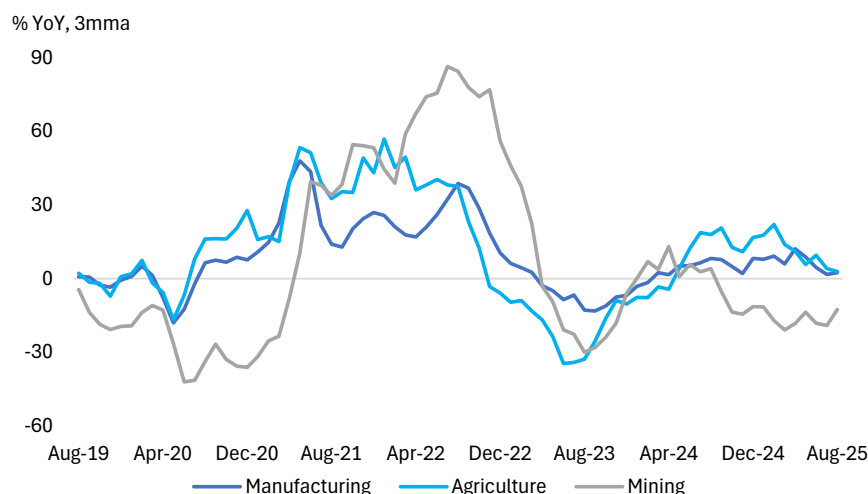
That said, risks remain tilted to the downside. A potential US semiconductor tariff, which is still under review, poses a significant risk going forward. Softer Chinese demand amid a sluggish recovery, modest crude oil prices and stronger ringgit could also weigh on exports. Overall, we maintain our modest export growth forecast of +2.9% YoY in 2025 (2024: +5.8%) in view of the uncertain global outlook, and keep our GDP growth forecast at +4.2% (2024: +5.1%).

**Figure 1: Exports registered a modest growth of 1.9% in August**



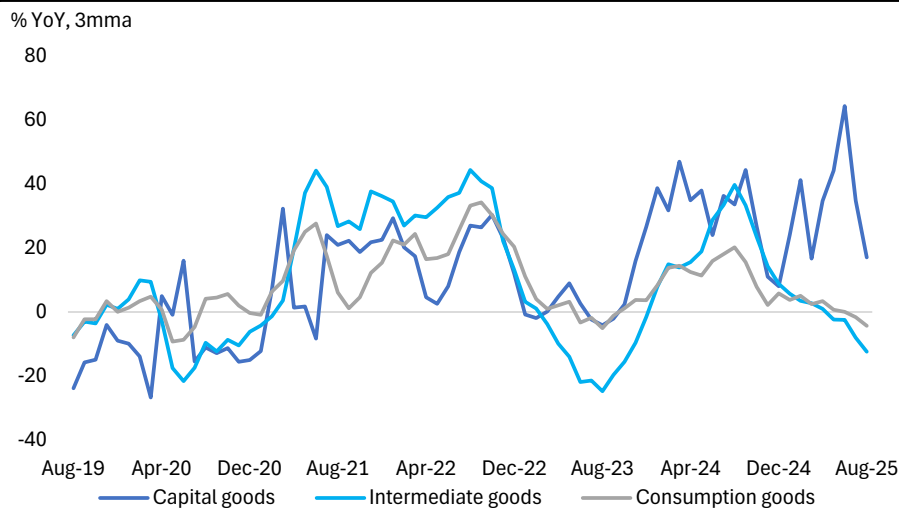
Source: Department of Statistics, Apex Securities

**Figure 2: Manufacturing exports softened in August**



Source: Department of Statistics, Apex Securities

Figure 3: Capitial goods imports supported by equipment demand for data centres



Source: Department of Statistics, Apex Securities

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## 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.

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## 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.

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