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3Q25 advance GDP Growth:	+5.2%
2025 GDP Growth Forecast:	+4.5%
2026 GDP Growth Forecast:	+4.1%
8M25 Headline Inflation:	+1.4%
2025 Headline Inflation Forecast:	+1.4%
2026 Headline Inflation Forecast:	+2.0%
BNM OPR:	2.75%
End-2025 OPR Forecast:	2.75%
End-2026 OPR Forecast:	2.75%

## Malaysia External Trade

### Trade upswing defies tariff headwinds

- Malaysia's exports growth surged **+12.2% YoY in September (Aug: +1.9%)**, well above expectations, while gross imports growth rose **+7.3% (Aug: -5.9%)**, widening the trade surplus to **RM19.9bn (Aug: RM16.1bn)**.
- Broad-based manufacturing export gains underscore resilience in the manufacturing sector, while the quarterly trade surplus of **RM50.6bn (2Q25: RM14.3bn)** points to stronger external sector contribution to GDP.
- Key risks include renewed US-China trade tensions and the pending US semiconductor tariff, which could trigger bouts of volatility going forward.
- We have revised our full-year 2025 export growth to **+4.2%** (previously **+2.9%**), reflecting external resilience amid lingering volatility.

### A strong September surprise

Malaysia's exports growth defied market expectations in September, surging **+12.2% YoY (Aug: +1.9%)**, well above Bloomberg consensus of **+3.1%**. The strong growth came despite ongoing trade uncertainties and the implementation of US tariffs. Imports growth rose **+7.3% (Aug: -5.9%)**, driven by firm demand for capital and consumer goods. As a result, the trade surplus widened to **RM19.9bn (Aug: RM16.1bn)**.

For 3Q25, exports grew **+6.8% YoY (2Q25: +3.3%)** while imports inched up **+0.4% (2Q25: +9.0%)**, lifting the quarterly trade surplus to **RM50.6bn (2Q25: RM14.3bn)**. This points to a stronger external sector contribution to GDP in 3Q25.

### Manufacturing strength allays slowdown concerns

Export growth in September was broad-based across manufactured goods (**+12.5% YoY; Aug: +1.5%**), agriculture (**+6.5%; Aug: +4.4%**) and mining (**+4.3%; Aug: -2.4%**). Notably, among manufactured goods exports, E&E, petroleum products, and machinery & parts posted solid gains, underscoring resilience in export-oriented segment, which accounts for about two-thirds of the manufacturing sector.

By destination, exports to key partners strengthened markedly, including the US (**+24.4% YoY; Aug: -17.2%**), EU (**+19.7%; Aug: +9.7%**), and Singapore (**+28.0%; Aug: +2.7%**), partly reflecting a low base from last year. In contrast, shipments to China slowed to **+2.9% (Aug: +10.4%)**, highlighting persistent volatility in trade flows.

### Investment momentum remains intact

Capital goods imports rose steadily (**+9.3% YoY; Aug: +10.9%**), indicating sustained investment appetite. Ongoing data-centre expansions and initiatives under Budget 2026 and various national development plans continue to support private investment. Meanwhile, intermediate goods imports contracted at a slower pace (**-7.6%; Aug: -16.7%**), suggesting stabilising order pipelines. That said, lingering global trade volatility could temper both capital and intermediate goods demand, providing some offset to the trade balance.

### Resilience amid sustained tariff risks

The strong September export print suggests that the impact from US reciprocal tariffs has so far been more contained than initially feared, helping to allay concerns over the manufacturing outlook. This is consistent with Malaysia's advance 3Q25 GDP growth estimate, which surprised on the upside at **+5.2% YoY (2Q25: +4.4%)**, supported by firmer manufacturing sector.

Nonetheless, we caution against reading too much into one month's strength, given the volatile nature of trade flows. The renewed US-China trade tensions, with China tightening rare earth export controls and the US threatening to retaliate with 100% tariffs effective 1 November, have reintroduced uncertainty into the trade outlook. We view these moves as negotiation tactic, with

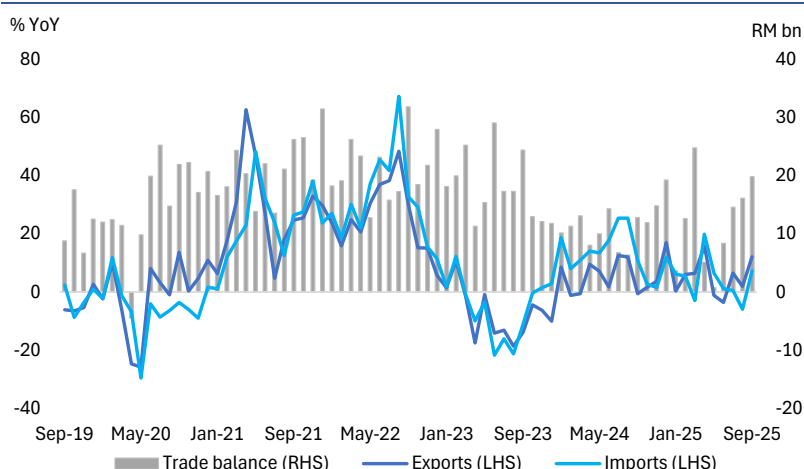
a deadline extension remains the most likely outcome, which would prolong global trade tensions and uncertainties going forward.

The key risk for Malaysia remains in the semiconductor sector, in which the US Section 232 investigation on semiconductor imports is still ongoing. The US Supreme Court hearing on the legality of Trump tariffs on 5 November could also have material implications on the trade policy outlook. In addition, President Trump's attendance at the ASEAN Summit in end-October will also be closely watched, as trade and tariff issues will likely be raised and discussed.

## Upward exports revision, but volatility ahead

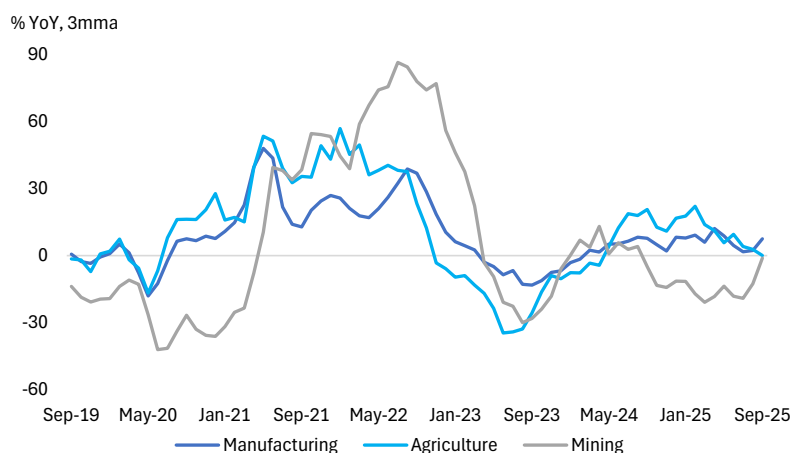
Given the solid 9M25 export growth of +4.8% YoY, we **have revised our full-year 2025 export growth forecast to +4.2%** (previously +2.9%), reflecting stronger external resilience despite prolonged trade tensions. Even so, we expect bouts of volatility ahead amid evolving trade negotiations and tariff policies. We thus maintain a cautiously optimistic outlook for Malaysia's external sector heading into 2026.

**Figure 1: Exports registered a strong growth of +12.2% in September**



Source: Department of Statistics, Apex Securities

**Figure 2: Manufacturing exports surged in September**



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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