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2025 GDP Growth	+5.2%
2026 GDP Growth Forecast:	+4.7%
2025 Export Growth:	+6.4%
2026 Export Growth Forecast:	+4.8%
2025 Unemployment Rate	3.0%
2026 Unemployment Rate Forecast:	3.0%
2025 Headline Inflation:	+1.4%
2026 Headline Inflation Forecast:	+1.8%
End-2025 OPR	2.75%
End-2026 OPR Forecast:	2.75%

Malaysia External Trade

Cautious optimism amid fluid trade dynamics

- Exports surged to a three-year high of +19.6% YoY in January (Dec: +10.2%), well above consensus, while imports moderated to +5.3% (Dec: +9.5%). The trade surplus narrowed slightly to RM21.4bn (Dec: RM22.1bn).
- Manufacturing (+22.3% YoY; Dec: +13.4%) led the expansion, supported by an acceleration in E&E. Mining and agriculture provided further support to the overall growth.
- We view the slowdown in capital goods imports (+2.3% YoY; Dec: +27.1%) as a temporary breather, with infrastructure rollout and data centre expansion keeping investment momentum firm in 2026.
- The US Supreme Court ruling against Trump's IEEPA tariffs is unlikely to materially alter the trade landscape, as the administration shifts toward alternative tariff pathways.
- Trade momentum should remain supported by steady global growth and semiconductor demand, although tariff risks, geopolitical tensions and a firmer ringgit could pose headwinds. We maintain our 2026 export growth forecast at +4.8% (2025: +6.4%), pending greater clarity on tariff developments.

Exports surge on low-base effect

Malaysia's exports surged to a three-year high of +19.6% YoY in January 2026 (Dec: +10.2%), well above Bloomberg consensus of +14.3%. The strong print was partly supported by a low base last year. On a month-on-month basis, exports declined 3.9% MoM after December's strong print. Imports moderated to +5.3% (Dec: +9.5%), reflecting softer capital and intermediate goods. As a result, the trade surplus narrowed slightly to RM21.4bn (Dec: RM22.1bn).

Manufacturing drives export growth

Manufacturing exports accelerated to +22.3% YoY (Dec: +13.4%), accounting for the bulk of January's surge. E&E expanded sharply at +39.5% (Dec: +25.0%) amid the AI-led global tech upcycle, contributing 16.3ppts to overall export growth, underscoring the significance of semiconductor as the key anchor of Malaysia's external outlook.

Meanwhile, non-E&E manufacturing improved to +6.1% YoY (Dec: +1.8%), supported by metals (+5.4%; Dec: +2.8%), machinery, equipment & parts (+13.0%; Dec: +11.0%), and optical & scientific equipment (+36.2%; Dec: +20.6%).

Mining exports rebounded (+2.7% YoY; Dec: -15.2%), lifted by metalliferous ores & metal scrap (+207.7%; Dec: +123.6%) and a smaller contraction in LNG (-5.2%; Dec: -24.9%). Agriculture exports declined albeit at a slower pace (-2.7%; Dec: -7.5%), with palm oil falling 1.4% (Dec: -12.7%) alongside a 14.0% drop in prices to RM4,018/mt.

Investment momentum intact for now

On a 3-month moving average (3mma) basis, capital goods imports slowed sharply to +2.3% YoY (Dec: +27.1%). While typically a leading indicator of investment, capital goods imports are historically volatile and tend to rebound quickly after short pullbacks. Thus, **we view the capital imports as taking a breather rather than the start of a downtrend.**

Barring sustained weakness, we see no imminent threat to the investment cycle. Our base case remains that ongoing infrastructure rollout and continued data centre expansion will keep investment momentum firm in 2026. We forecast steady investment GDP growth of +9.3% YoY in 2026 (2025: +9.6%).

Tariffs are here to stay

The US Supreme Court ruled (6-3) that President Trump exceeded his authority under IEEPA (International Emergency Economic Powers Act) in imposing reciprocal tariffs, as well as fentanyl-related tariffs currently applied to China, Mexico and Canada.

In response to the SCOTUS ruling, President Trump imposed a 15% global tariff for 150 days under Section 122. Section 122 allows the President to act unilaterally and bypass Congress, enabling swift implementation. The 15% rate is slightly lower than Malaysia’s previous 19% reciprocal tariff. That said, the administration has indicated it will utilise the 150-day window to issue other “legally permissible” tariffs (see Figure 3).

One likely option is to concurrently pursue Section 301 as a negotiation lever. Section 301 requires a lengthy USTR investigation process, but has no limit on tariff rates and allows measures to remain in place for up to four years. The US retains sufficient leverage to pressure trading partners into trade deals similar to ART to avoid renewed trade tensions. As such, we do not expect the ruling to materially change the global trade landscape.

We expect intermittent volatility as trade terms are renegotiated and alternative tariff pathways are activated. Domestically, potential semiconductor tariffs under Section 232 remains the key risk for Malaysia, particularly as the Trump administration shifts toward alternative tariff pathways.

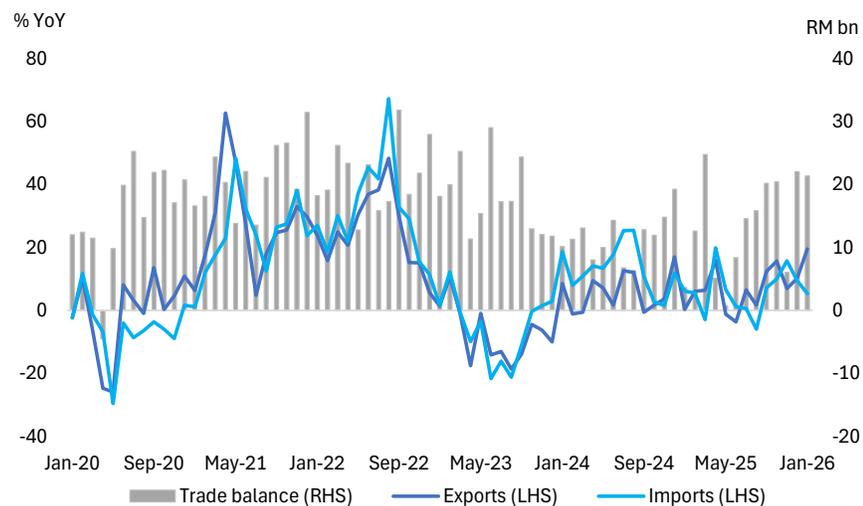
Cautious optimism amid fluid trade dynamics

We maintain a cautiously optimistic stance on the trade outlook. January’s strong export print supports our view that trade momentum will sustain into 2026, underpinned by a steady global growth backdrop, resilient US demand and robust global semiconductor growth amid the AI-led tech upcycle.

That said, the recent export surge may partly reflect low-base effects, with growth likely to moderate in 2H26 as last year’s higher base kicks in. Furthermore, global trade conditions remain fluid, with tariff developments, geopolitical tensions and a firmer ringgit posing uncertainties to the outlook.

Overall, we **maintain our 2026 export growth forecast at +4.8% YoY (2025: +6.4%)**. We also **maintain our 2026 GDP forecast at +4.7% (2025: +5.2%)** for now, pending greater clarity on the tariff developments. On the monetary front, we see **no urgency for BNM to adjust the policy rate** amid still-fluid trade dynamics, with BNM likely to maintain a wait-and-see approach.

Figure 1: Exports surged to +19.6% YoY in January



Source: Department of Statistics, Apex Securities

Figure 2: Manufacturing led the growth in January



Source: Department of Statistics, Apex Securities

Figure 3: Alternative tariff pathways for Trump administration

	Reason for imposing tariffs	Federal agency investigation required?	Limit on duration of action	Limit on tariff rate
Section 232	Threat to national security	Yes, by Commerce Department	None	None
Section 201	Injury to domestic industry	Yes, by International Trade Commission	Four years. May be extended to a maximum of eight years.	50% increase. Phasedown required after one year.
Section 301	Discrimination against US businesses or violation of US rights under trade agreements	Yes, by US Trade Representative	Four years. May be extended with no maximum limit.	None
Section 122	International payments problem	No	150 days. Can be extended with Congressional approval.	15%
Section 338	Discrimination against US commerce	No	None	50%

Source: Congressional Research Service, Bloomberg

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.
