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2025 GDP Growth	+5.2%
2026 GDP Growth Forecast:	+4.7%
2025 Export Growth:	+6.5%
2M26 Export Growth:	+15.2%
2026 Export Growth Forecast:	+4.8%
2025 Unemployment Rate	3.0%
2026 Unemployment Rate Forecast:	3.0%
2025 Headline Inflation:	+1.4%
2M26 Headline Inflation:	+1.5%
2026 Headline Inflation Forecast:	+1.8%
End-2025 OPR	2.75%
End-2026 OPR Forecast:	2.75%

Malaysia External Trade

Trade outlook intact despite rising external risks

- Exports remained resilient at +10.8% YoY in February (Jan: +19.6%), slightly below consensus, while imports rose to +8.2% (Jan: +4.8%). The trade surplus narrowed to RM16.7bn (Jan: RM22.0bn).
- Manufacturing exports slowed (+12.8% YoY; Jan: +22.3%), but E&E continued to record strong double-digit growth, while commodity exports remained weak.
- On a 3-month moving average (3mma) basis, capital goods imports fell (-8.4% YoY; Jan: +2.2%) for the first time in over two years, warranting close monitoring in our view.
- Key external risks include US trade policy uncertainty and escalating geopolitical tensions in the Middle East. The direct impact of the Middle East conflict on Malaysia should be limited given our relatively small trade exposure to the region.
- We maintain our 2026 export growth forecast at +4.8% YoY (2025: +6.4%) for now, pending greater clarity on tariff policies and developments in the Middle East conflict.

Exports remain on a firm footing

Malaysia's exports remained resilient at +10.8% YoY in February, albeit easing from January's +19.6% surge and coming in below consensus of +12.2%. Imports rose to +8.2% (Jan: +4.8%), reflecting a rebound in capital and intermediate goods. As a result, the trade surplus narrowed to RM16.7bn (Jan: RM22.0bn).

Manufacturing takes a breather

The softer export print was mainly due to slower manufacturing growth (+12.8% YoY; Jan: +22.3%). That said, E&E products continued to record strong double-digit growth (+28.5%; Jan: +39.5%) amid the AI-led global tech upcycle. Non-E&E manufacturing declined (-1.1%; Jan: +6.1%), dragged by petroleum products (-23.5%; Jan: -16.7%), chemical products (-16.7%; Jan: -7.8%) and slower growth in machinery, equipment & parts (+0.4%; Jan: +12.7%).

Commodity exports remained weak. Agriculture exports fell further (-16.4% YoY; Jan: -2.5%) alongside a 14.3% YoY decline in palm oil prices to RM4,078/mt. Meanwhile, liquefied natural gas (LNG) exports dropped sharply (-27.3%; Jan: -5.2%), largely due to a 19.6% decline in average unit value.

By destination, shipments to Singapore contracted (-17.1% YoY; Jan: +0.4%), while exports to China moderated (+13.2%; Jan: +16.1%). Exports to other key Asian markets were mixed, particularly Japan (-14.8%; Jan: -0.4%), Taiwan (+65.9%; Jan: +79.4%) and Indonesia (-36.0%; Jan: +10.0%). In contrast, exports to the US recorded the third straight month of double-digit growth (+42.3%; Jan: +33.9%), while shipments to the EU (+33.9%; Jan: +26.0%) strengthened.

Capital imports reaffirm investment momentum

Capital goods imports rebounded (+15.4% YoY; Jan: -21.0%), suggesting that investment momentum remains firm, in line with ongoing infrastructure projects and continued data-centre expansion. Nonetheless, capital goods imports are inherently volatile. On a 3-month moving average (3mma) basis, capital goods imports fell (-8.4%; Jan: +2.2%) for the first time in over two years, warranting close monitoring in our view.

Meanwhile, intermediate goods imports rebounded (+0.8% YoY; Jan: -5.0%) after a brief pullback in January, pointing to firmer order pipelines. Our baseline remains that external demand will stay broadly resilient despite rising global uncertainties.

Renewed external headwinds cloud trade outlook

Malaysia's exports recorded a solid +15.2% YoY growth in 2M26, supporting our positive stance on the trade outlook. A steady global semiconductor demand amid the AI-led upcycle remains a key support for Malaysia's external sector in 2026. The Semiconductor Industry Association

(SIA) reported a +46.1% increase in global semiconductor sales to USD82.5bn in January, with sales projected to reach USD1tn in 2026 (2025: USD800bn).

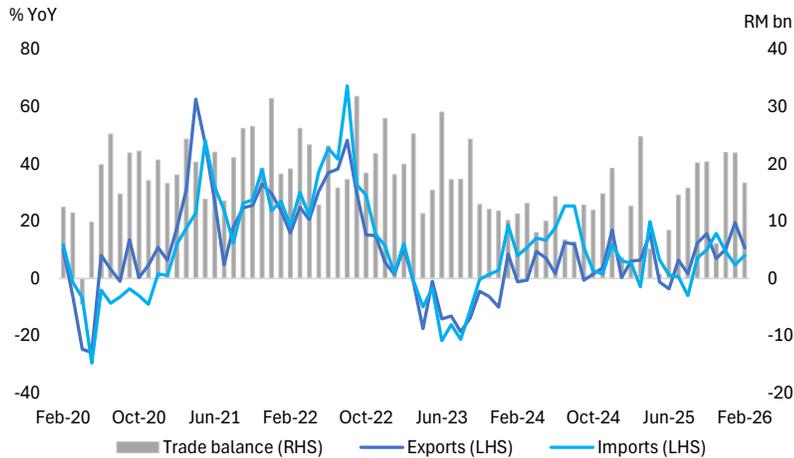
That said, global trade conditions remain fluid. Key external risks include US trade policy uncertainty and escalating geopolitical tensions in the Middle East. While the US Supreme Court has ruled to nullify the reciprocal tariffs imposed under IEEPA, the Trump administration’s trade stance remains largely unchanged. The administration has imposed a 10% global tariff for 150 days under Section 122 and is reportedly working to raise the rate to 15%. It has also used the 150-day window to launch Section 301 investigations into alleged unfair trade practices involving several trading partners, including Malaysia.

We also remain cautious on the Middle East conflict, with secondary risks from supply chain disruptions and weaker global growth weighing on trade. Nonetheless, the direct impact on Malaysia should be limited given our relatively small trade exposure to the region. As a net energy exporter, higher oil & gas prices could partly cushion export performance against potentially softer external demand.

Maintaining forecasts for now

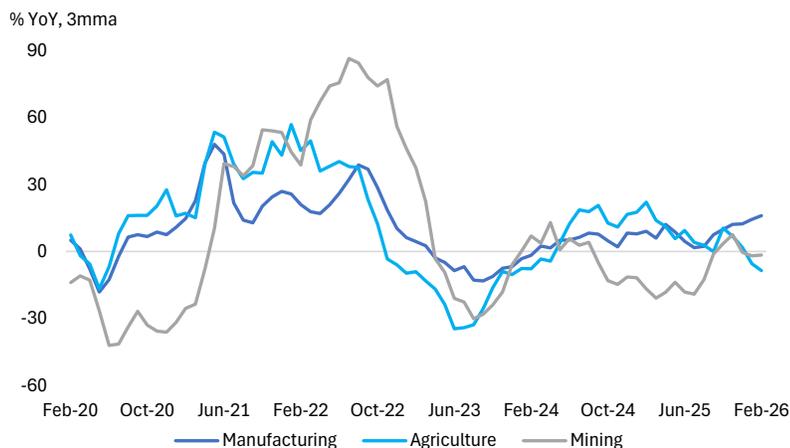
Overall, we **maintain our 2026 export growth forecast at +4.8% YoY** (2025: +6.4%). We also **maintain our 2026 GDP forecast at +4.7%** (2025: +5.2%) for now, pending greater clarity on tariff policies and developments in the Middle East conflict.

Figure 1: Exports remained solid +10.8% YoY in February



Source: Department of Statistics, Apex Securities

Figure 2: Manufacturing sustained a double-digit growth in February



Source: Department of Statistics, 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.
