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|-----------------------------------|--------|
| 2025 GDP Growth | +5.2% |
| 2026 GDP Growth Forecast: | +4.7% |
| 2025 Export Growth: | +6.4% |
| 2026 Export Growth Forecast: | +16.3% |
| 2025 Unemployment Rate | 3.0% |
| 2026 Unemployment Rate Forecast: | 3.0% |
| 2025 Headline Inflation: | +1.4% |
| 2026 Headline Inflation Forecast: | +2.1% |
| End-2025 OPR | 2.75% |
| End-2026 OPR Forecast: | 2.75% |

Malaysia External Trade

E&E strength lifts trade outlook

- Exports surged to +45.3% YoY in May (Apr: +37.3%), while imports rose +14.1% (Apr: +20.0%). The trade surplus widened sharply to RM40.4bn (Apr: RM29.2bn).
- Manufacturing (+51.7% YoY; Apr: +40.5%) remained the key driver of export growth, while mining provided additional support.
- We revise our 2026 export growth forecast to +16.3% YoY (previously: +8.1%), reflecting robust year-to-date growth of +24.3% and stronger-than-expected E&E prospects.
- We expect export growth to moderate in 2H26 as frontloaded demand gradually fades. Other risks include US trade policy uncertainty and the fragile US-Iran agreement.

Another month of positive surprise

Malaysia's exports extended its uptrend in May, surging +45.3% YoY (Apr: +37.3%) and beating Bloomberg consensus of +29.7%. Imports also sustained double-digit growth, albeit at a slower pace of +14.1% (Apr: +20.0%), supported by firmer intermediate goods demand. As a result, the trade surplus widened sharply to RM40.4bn (Apr: RM29.2bn).

Manufacturing drives export growth

Manufacturing exports again accounted for the bulk of May's surge, accelerating further to +51.7% YoY (Apr: +40.5%) and contributing +44.9ppts to headline export growth (Apr: +35.2ppts). E&E remained the key driver, rising sharply to +70.5% (Apr: +46.6%), underscoring the resilience of the global tech upcycle and sustained semiconductor demand that continue to anchor Malaysia's external outlook. Non-E&E manufacturing maintained its momentum (+33.8%; Apr: +33.9%), driven mainly by petroleum products (+74.2%; Apr: +70.2%).

Mining exports climbed further (+36.5% YoY; Apr: +25.0%), led by a surge in LNG exports (+111.5%; Apr: +4.8%), partly reflecting low base effects from last year. In contrast, agriculture exports contracted (-22.9%; Apr: +4.7%), dragged by weaker palm oil exports (-29.4%; Apr: +1.7%) amid lower export volumes.

By destination, shipments to the US surged (+97.7% YoY; Apr: +40.0%), which we believe was largely driven by E&E products. Exports to other key partners also strengthened, including the EU (+45.0%; Apr: +43.8%), Singapore (+40.4%; Apr: +23.1%) and Japan (+34.6%; Apr: +7.3%). Meanwhile, exports to China (+27.8%; Apr: +40.5%) sustained double-digit growth, albeit at a slower pace.

Raising export forecast, but caution remains

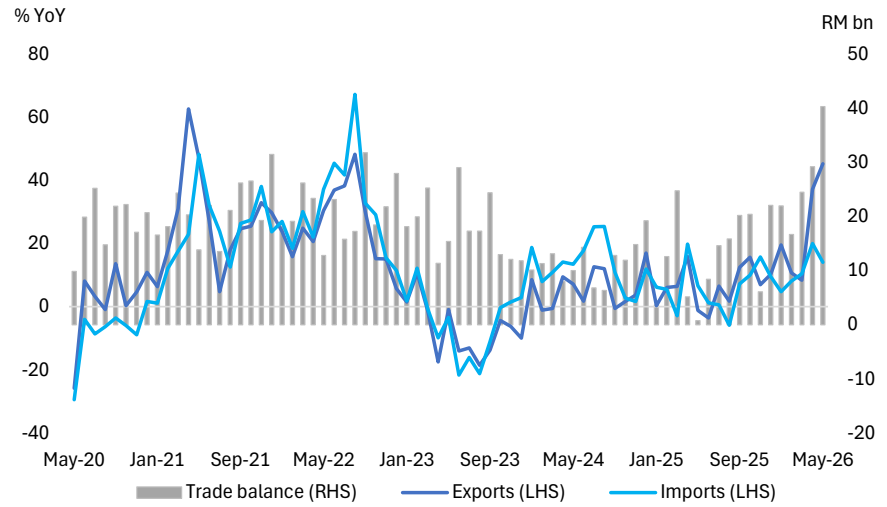
We revise our 2026 export growth forecast to +16.3% YoY (previously: +8.1%), reflecting robust year-to-date growth of +24.3% and a **stronger-than-expected E&E outlook**. We expect the E&E sector, which accounts for c.48% of total exports, to extend its strong momentum, supported by rising semiconductor applications across AI, EV and industrial segments. The Semiconductor Industry Association (SIA) has raised its global semiconductor sales projection to USD1.5tn in 2026 (previously: USD1tn; 2025: USD800bn), before reaching USD1.9tn in 2027.

The preliminary US-Iran agreement and reopening of the Strait of Hormuz may have limited direct implications for Malaysia's trade, given our relatively small trade exposure to the region. Nevertheless, **easing supply bottlenecks should help contain input cost pressures and support global demand for Malaysian exports**. This is particularly critical as recent Malaysia manufacturing PMI surveys suggest that higher selling prices are weighing on new orders.

Nonetheless, the strong export performance in April and May may have partly reflected stockpiling activities amid supply concerns. We therefore expect **export growth to moderate in 2H26** as frontloaded demand gradually fades. Other key risks to Malaysia's trade outlook

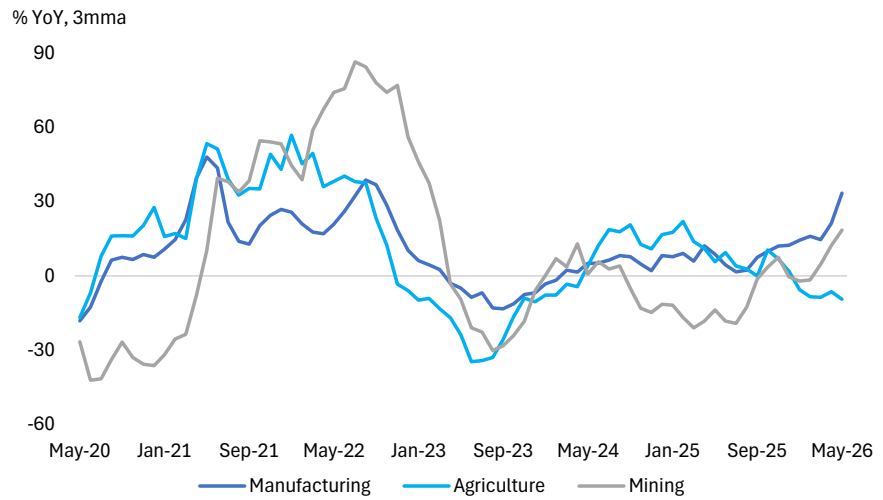
include persistent uncertainty surrounding US trade policy and the still-fragile US-Iran agreement, which could trigger intermittent volatility in global trade and financial markets.

Figure 1: Exports surged to +45.3% YoY in May



Source: Department of Statistics, Apex Securities

Figure 2: Manufacturing sustained expansion in May



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.
