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2025 GDP Growth	**+5.2%**
2026 GDP Growth Forecast:	**+5.0%**
2025 Export Growth:	**+6.6%**
2026 Export Growth Forecast:	**+26.2%**
2025 Unemployment Rate	**3.0%**
2026 Unemployment Rate Forecast:	**3.0%**
2025 Headline Inflation:	**+1.4%**
2026 Headline Inflation Forecast:	**+2.0%**
End-2025 OPR	**2.75%**
End-2026 OPR Forecast:	**2.75%**

Malaysia External Trade

Sustained momentum lifts trade outlook

- **Exports grew +38.0% YoY in July (Jun: +45.5%), while imports remained firm at +36.4% (Jun: +43.1%). Consequently, the trade surplus widened to RM22.5bn (Jun: RM15.8bn).**
- **Manufacturing (+42.6% YoY; Jun: +47.4%) remained the key growth driver, while commodity exports were mixed.**
- **Overall, trends in capital and intermediate goods imports suggest firm industrial activity that should continue to support export growth towards year-end.**
- **We raise our 2026 export growth forecast to +26.2% YoY (previously: +16.3%), reflecting robust 7M26 growth of +29.2%.**
- **We are particularly positive on E&E and commodity exports, albeit with increasing headwinds towards year-end.**

Exports remain on a firm footing

Malaysia's exports sustained double-digit growth of +38.0% YoY in July, above consensus of +35.0%, albeit easing from +45.5% in June. Import growth also remained firm at +36.4% (Jun: +43.1%), driven mainly by robust intermediate goods imports (+40.8%; Jun: +41.2%). Consequently, the trade surplus widened to RM22.5bn (Jun: RM15.8bn).

Manufacturing and palm oil boost exports

Manufacturing exports remained the key growth driver, expanding +42.6% YoY (Jun: +47.4%) and contributing +37.0ppts to headline export growth (Jun: +41.3ppts). E&E continued to lead the expansion (+51.0%; Jun: +57.0%), supported by continued strength in the global tech upcycle and AI-related semiconductor demand. Non-E&E manufacturing also remained robust (+33.5%; Jun: +37.3%), driven mainly by machinery, equipment & parts (+41.6%; Jun: +18.4%) and palm oil-based manufactured products (+24.0%; Jun: +20.2%).

Commodity exports were a mixed bag. Agriculture exports rebounded (+5.6% YoY; Jun: -7.3%), driven by firmer palm oil exports (+7.8%; Jun: -18.3%) amid higher average unit values. In contrast, mining exports slowed sharply (+9.6%; Jun: +97.1%), dragged by a decline in crude petroleum (-79.4%; Jun: +110.2%) and moderation in LNG (+14.1%; Jun: +83.3%), highlighting the volatility in energy prices and oil & gas exports.

By destination, exports to the US (+79.8% YoY; Jun: +108.7%), China (+30.2%; Jun: +36.1%) and Taiwan (+96.0%; Jun: +44.8%) remained robust, likely driven by E&E products. Meanwhile, shipments to other major trading partners moderated, including Japan (+21.9%; Jun: +45.8%), South Korea (-3.2%; Jun: +42.7%) and ASEAN markets such as Singapore (+16.7%; Jun: +47.7%), Thailand (+37.5%; Jun: +51.8%) and Indonesia (+35.0%; Jun: +53.6%).

Import trends point to firm order pipeline

Capital goods imports moderated (+24.0% YoY; Jun: +61.9%), underscoring its inherently volatile nature. Nonetheless, the import value remained elevated at RM22.5bn (Jun: RM23.4bn), well above the RM17.0bn average recorded during Jan-May 2026, suggesting sustained investment momentum. Meanwhile, intermediate goods imports remained robust (+40.8%; Jun: +41.2%), pointing to healthy order pipelines. Overall, import trends suggest firm industrial activity that should continue to support export growth towards year-end.

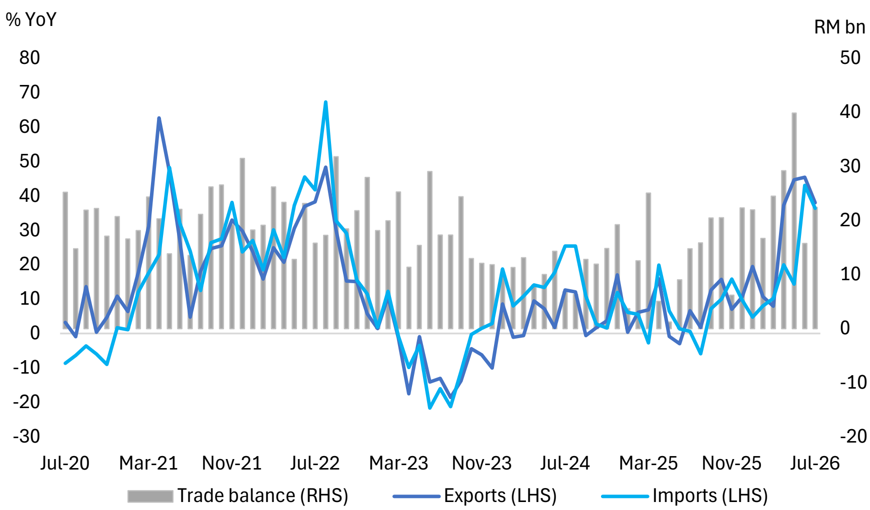
Raising export forecast

We **raise our 2026 export growth forecast to +26.2% YoY** (previously: +16.3%; 2025: +6.6%), reflecting robust 7M26 growth of +29.2% (7M25: +4.4%). This is consistent with our positive GDP growth outlook of +5.0% for 2026. Going forward, **we expect the E&E sector to remain resilient and drive overall export momentum in 2H26**, with structural growth in AI, EVs and other related industrial segments supporting a steady order pipeline over the medium term.

We are also **particularly positive on commodity exports in 2H26**. Elevated crude oil prices and potential trade diversion arising from disruptions in the Straits of Hormuz should support Malaysia's oil & gas exports. Separately, firmer B50 biodiesel demand from Indonesia should keep palm oil demand supported, while the anticipated intensification of El Niño, with hotter and drier weather conditions between October and December, should underpin firmer palm oil prices. As of 19 August, palm oil prices had risen 16.8% to RM4,596/mt from the start of the year.

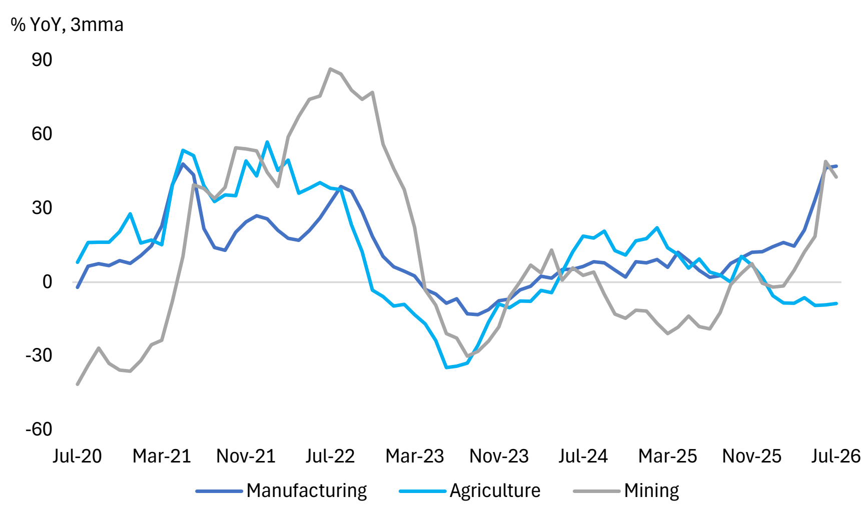
That said, exports may face **increasing headwinds towards year-end** as front-loaded demand from earlier stockpiling activities unwinds, alongside an unfavourable high base from the corresponding period last year. Other key risks include a steep re-escalation of geopolitical tensions in the Middle East weighing on global demand, as well as uncertainty surrounding US trade policy. Malaysia remains exposed to higher tariffs as the US Section 301 investigation into excess capacity is still ongoing.

Figure 1: Exports rose +38.0% YoY in July



Source: Department of Statistics, Apex Securities

Figure 2: Manufacturing sustained expansion in July



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

As of **Friday, 21 Aug, 2026**, the analyst(s), whose name(s) appears on the front page, who prepared this report, has interest in the following securities covered in this report:
(a) nil.