

To Zheng Hong
 (603) 7890 8899 (ext 2099)
zhenghong.to@apexsecurities.com.my

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

Still going strong

- Exports accelerated to **+45.5% YoY in August (Jul: +38.0%)**, while imports remained robust at **+41.1% (Jul: +36.3%)**. The trade surplus widened to **RM28.1bn (Jul: RM22.5bn)**.
- Manufacturing and LNG drove export growth, partly offset by weaker agriculture.
- Strong intermediate goods imports point to firm order pipelines, which should support near-term industrial and export activity.
- We expect exports to remain supported by the tech upcycle and potential trade diversion.
- Headwinds include an unfavourable base effect, renewed Middle East tensions and uncertainty surrounding US trade policy.
- We maintain our 2026 export growth forecast at **+26.2% YoY (2025: +6.6%)**.

Sustained trade resilience

Malaysia's exports accelerated to +45.5% YoY in August (Jul: +38.0%), well above Bloomberg consensus of +38.0%. Import growth also rose to +41.1% (Jul: +36.3%), driven by stronger intermediate and capital goods imports. Consequently, the trade surplus widened to RM28.1bn (Jul: RM22.5bn). On a YTD basis, exports and imports grew +31.2% and +22.4% respectively (8M25: +4.1% and +3.7%), underscoring sustained trade resilience.

Manufacturing-led expansion

Manufacturing exports accelerated (+50.4% YoY; Jul: +42.6%), lifted by a robust E&E print (+66.5%; Jul: +51.0%) amid the sustained AI-led global tech upcycle. Non-E&E manufacturing also strengthened (+35.1%; Jul: +33.5%), driven by metal (+35.4%; Jul: +23.3%), transport equipment (+34.1%; Jul: +15.4%) and petroleum products (+21.7%; Jul: +26.9%).

Commodity exports remained mixed. Mining exports surged (+43.3% YoY; Jul: +9.6%), supported by firmer LNG (+51.8%; Jul: +14.1%) and a sharp improvement in crude petroleum (-19.3%; Jul: -79.4%), though we note the volatile trend in energy-related exports. In contrast, agriculture exports declined (-21.4%; Jul: +4.8%), dragged by weaker palm oil exports (-25.0%; Jul: +7.7%) amid lower export volumes.

By destination, exports to the US (+130.4% YoY; Jul: +79.8%), Singapore (+58.5%; Jul: +16.5%) and Taiwan (+102.2%; Jul: +96.0%) strengthened markedly, likely driven by E&E products. Meanwhile, shipments to selected trading partners moderated, including China (+19.9%; Jul: +30.1%), EU (+20.0%; Jul: +37.0%) and ASEAN markets such as Thailand (+33.2%; Jul: +37.5%), Vietnam (+28.3%; Jul: +77.4%) and Indonesia (+11.5%; Jul: +35.0%).

Indication of strong order pipeline

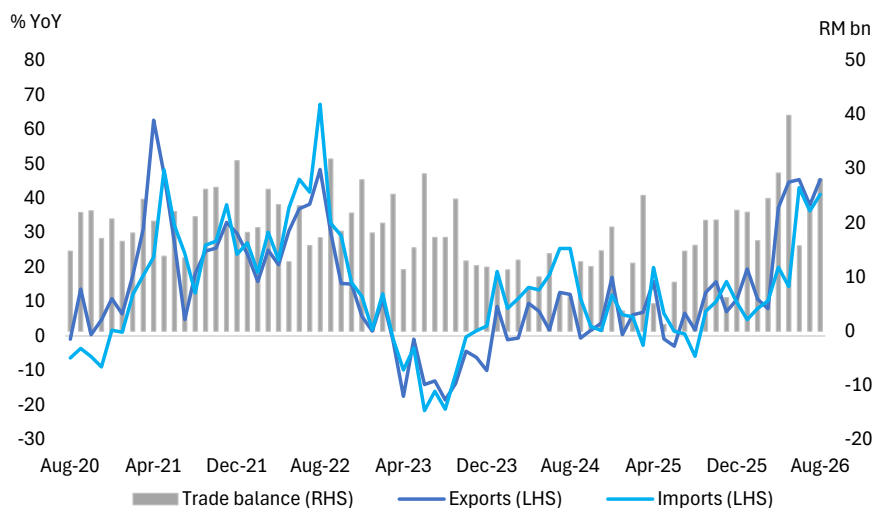
Capital goods imports expanded for the third straight month (+37.4% YoY; Jul: +23.8%), pointing to sustained investment appetite. Data-centre expansions and ongoing infrastructure projects should continue to support investment activity. Meanwhile, intermediate goods imports accelerated further (+50.5%; Jul: +40.8%), driven by accessories of capital goods (+101.6%; Jul: +96.1%) and fuel & lubricants (+92.2%; Jul: -16.3%). We view the strength in intermediate imports as an indication of firm order pipelines, with manufacturers securing critical industrial inputs for future production.

Prospects remain intact

We maintain our 2026 export growth forecast at **+26.2% YoY (2025: +6.6%)**. Going forward, we remain particularly positive on the **E&E sector**, underpinned by structural growth in AI, EVs and other related industrial segments. Meanwhile, **energy-related exports should provide additional support**, as Malaysia remains a beneficiary of potential trade diversion arising from the Middle East conflicts. The robust growth in intermediate imports is also typically an indication of a **strong orderbook** and near-term strength in industrial and export activity.

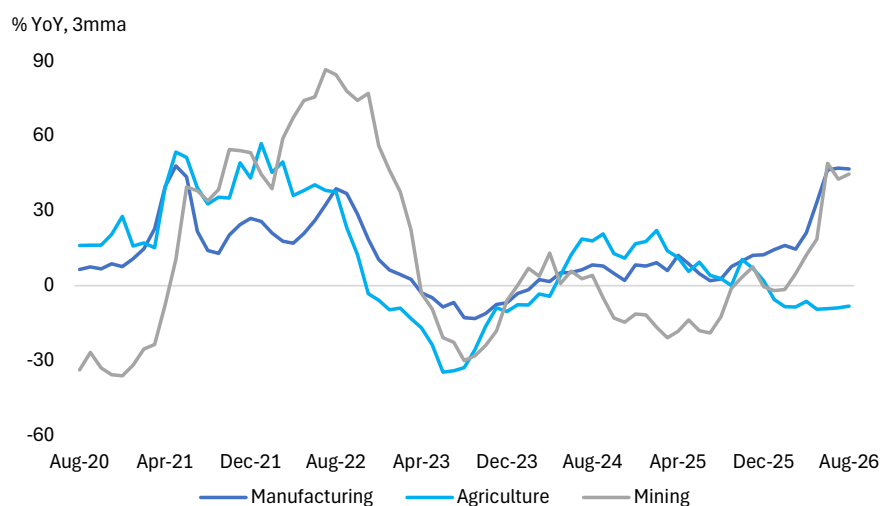
That said, exports are likely to face headwinds in the remaining months of 2026 due to an **unfavourable high base** in the corresponding period last year. Downside risks include a **renewed flare-up in Middle East tensions** that could disrupt global trade flows, as well as continued **uncertainty surrounding US trade policy**. Malaysia remains vulnerable to higher tariffs, with the US Section 301 investigation into structural excess capacity and production still underway.

Figure 1: Exports rose +45.5% YoY in August



Source: Department of Statistics, Apex Securities

Figure 2: Manufacturing sustained expansion in August



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.
