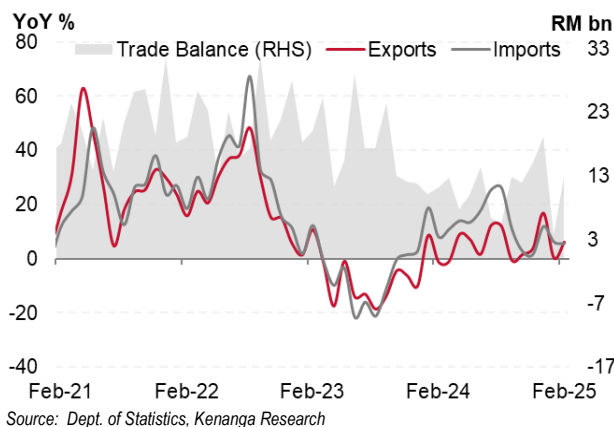


# Malaysia External Trade

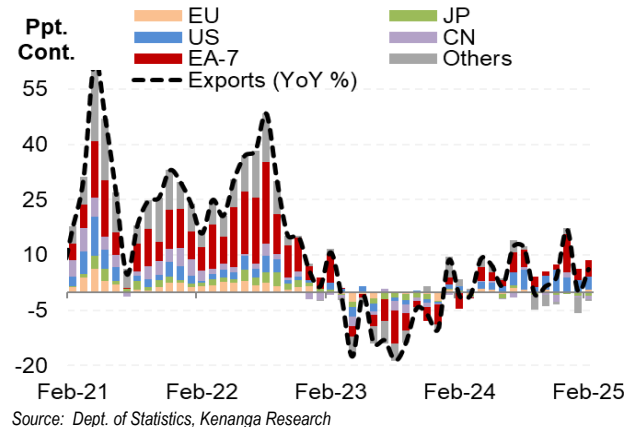
Exports rise in February, yet trade risks persist amid Trump tariffs

- Exports expanded to 6.2% (Jan: 0.3%), a tad below consensus of 6.5%, and significantly below house forecast of 15.9%**
  - MoM (-3.7%; Jan: -11.3%): contraction eased, marking a second straight month of decline.
- Mainly due to strong exports to the US, EU, and high demand for E&E and palm oil**
  - By destination:** shipments to the US increased (28.9%; Jan: 28.1%) and exports to the EU rebounded (7.7%; Jan: -2.6%). However, shipments to China (-8.1%; Jan: -3.9%), and Japan (-14.3%; Jan: -11.2%) remained weak, while exports to Singapore moderated (17.2%; Jan: 19.6%) albeit remained high.
  - By sector:** growth was driven by manufacturing (8.8%; Jan: 0.5%), and agriculture (27.4%; Jan: 10.9%) sectors, but partially offset by further weakness in the mining sector (-33.0%; Jan: -12.3%).
  - By major product:** higher exports of electrical & electronic product (E&E) (18.1%; Jan: 14.9%), and palm oil and palm-based products (31.8%; Jan: 8.7%) supported the overall expansion.
- Imports slowed (5.5%; Jan: 6.2%), a three-month low and below expectations (KIBB: 19.3%; consensus: 9.6%)**
  - Reason:** a sharp slowdown in retained imports (5.1%; Jan: 11.1%) was partly offset by a rebound in re-exports (7.3%; Jan: -8.8%).
  - By category:** due to moderate growth in capital goods (35.3%; Jan: 45.6%). However, expansion in intermediate goods (5.8%; Jan: 3.4%) and a rebound in consumption goods (7.4%; Jan: -2.6%) offset some of the weakness.
  - MoM (-11.3%; Jan: -0.2%): contraction deepened, in line with seasonal trends.
- Trade surplus surged to RM12.6b (Jan: RM3.7b), but below expectations (KIBB: RM14.9b; consensus: RM13.2b)**
  - Meanwhile, total trade expanded by 5.9% YoY (Jan: 3.1%) supported by last year's low base. However, MoM growth declined by 7.5% (Jan: -6.1%).
- 2025 exports forecast maintained at 5.0% (2024: 5.7%) despite slower-than-expected February performance**
  - Drivers:** Although February's performance missed our target, we expect frontloading activity to accelerate in March ahead of Trump's reciprocal tariffs in April. This may not be sustainable for the rest of the year, but export growth should be supported by the global tech upcycle driven by AI related-demand, trade diversion spillovers, and expectations of economic recovery in key trading partners.
  - Key markets:** Demand is expected to rise from China, and potentially, Europe following the spillover effects of stimulus injection and monetary easing. Meanwhile, uncertainty over the US economy from higher tariffs remains a concern. A significant reduction in US imports due to higher tariffs could weigh on global trade, given the US role as a consumer-driven economy and an important export destination for Malaysia.
  - Risks:** Key challenges remain, particularly the risk of a slower-than-expected economic recovery in China and global trade disruptions from Trump's tariffs, which may dampen consumer and business sentiment.
  - GDP Outlook:** We maintain our 2025 GDP growth forecast at 4.8% (2024: 5.1%). Growth should be supported by domestic demand, led by higher private consumption and investment. Overall moderation reflects a base effect, normalisation of domestic economic activity, and uncertainties from global policy shifts under the Trump administration.

Graph 1: External Trade Growth



Graph 2: Exports by Destination



21 March 2025

**Table 1: Malaysia External Trade Growth Trend**

		2021	2022	2023	2024	Feb-24	Sep-24	Oct-24	Nov-24	Dec-24	Jan-25	Feb-25
Total Trade	%YoY	24.9	27.6	-7.3	9.1	3.0	4.5	2.1	2.8	14.5	3.1	5.9
<b>Trade Balance</b>	<b>RM bil</b>	<b>253.7</b>	<b>256.2</b>	<b>215.2</b>	<b>136.8</b>	<b>11.2</b>	<b>12.8</b>	<b>11.9</b>	<b>15.1</b>	<b>19.1</b>	<b>3.7</b>	<b>12.6</b>
<b>Exports</b>	<b>%YoY</b>	<b>26.1</b>	<b>24.9</b>	<b>-8.0</b>	<b>5.7</b>	<b>-1.2</b>	<b>-0.6</b>	<b>1.6</b>	<b>3.9</b>	<b>16.9</b>	<b>0.3</b>	<b>6.2</b>
	%MoM					-9.0	-4.2	3.7	-1.4	9.6	-11.3	-3.7
Manufacturing	%YoY	25.7	22.4	-6.9	5.9	-2.4	-0.5	1.9	5.0	18.5	0.5	8.8
	Shr	86.1	84.2	85.3	85.5	83.6	86.6	85.5	85.0	84.6	84.8	85.7
Agriculture	%YoY	36.8	23.3	-21.8	11.7	-5.1	10.8	8.9	13.2	28.9	10.9	27.4
	Shr	7.9	7.8	6.6	7.0	6.1	7.3	7.6	7.5	7.7	7.4	7.3
Mining	%YoY	20.6	67.0	-10.0	-2.6	17.3	-13.5	-12.2	-17.3	-5.1	-12.3	-33.0
	Shr	5.7	7.6	7.4	6.8	9.7	5.6	6.0	6.6	7.1	6.9	6.1
Others	%YoY	11.4	51.5	26.8	15.3	-12.2	2.2	63.5	-9.8	-24.6	26.9	3.6
	Shr	0.4	0.5	0.6	0.7	0.6	0.6	0.9	0.9	0.6	0.8	0.9
<b>Imports</b>	<b>%YoY</b>	<b>23.3</b>	<b>31.0</b>	<b>-6.4</b>	<b>13.2</b>	<b>8.0</b>	<b>10.9</b>	<b>2.7</b>	<b>1.6</b>	<b>11.9</b>	<b>6.2</b>	<b>5.5</b>
	%MoM					-10.8	-10.3	4.9	-4.3	7.3	-0.2	-11.3
Capital	%YoY	14.4	15.8	7.1	29.6	29.9	56.3	-3.1	-10.1	41.3	45.6	35.3
	Shr	10.5	9.3	10.6	12.2	10.2	15.3	10.6	11.9	14.5	16.7	13.1
Intermediate	%YoY	27.2	29.5	-12.2	20.7	13.7	18.0	12.6	12.7	1.5	3.4	5.8
	Shr	55.3	54.6	51.2	54.6	55.4	53.0	54.0	56.9	51.1	51.0	55.6
Consumption	%YoY	13.2	24.0	0.1	12.8	19.6	0.3	2.9	3.3	11.5	-2.6	7.4
	Shr	8.5	8.0	8.6	8.6	8.4	7.9	8.3	9.0	8.6	8.4	8.6

\*Shr = share to total exports or imports.

Source: Dept. of Statistics preliminary release, Kenanga Research

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