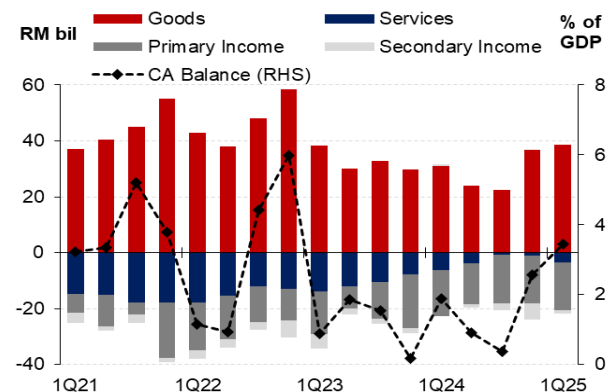


# Malaysia 1Q25 Balance of Payments

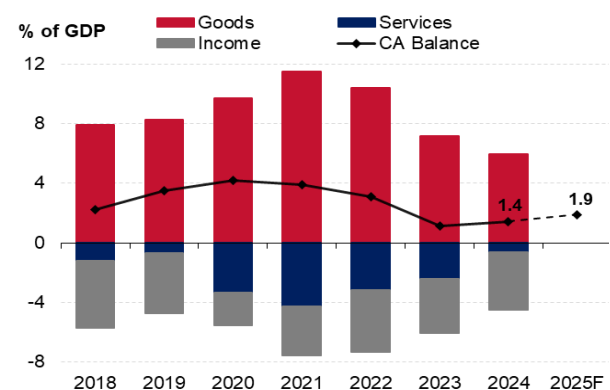
CA surplus hits nine-quarter high, but masked by deeper financial outflows

- The current account (CA) surplus widened to RM16.7b (3.4% of GDP) in 1Q25, up from RM12.9b (2.6% of GDP) in 4Q24—the largest surplus since 4Q22
  - The improvement was underpinned by a smaller deficit in secondary income and a wider goods surplus, partly offset by a larger services and primary income deficit. Slower GDP growth in 1Q25 (4.4% YoY; 4Q24: 4.9%) also contributed to the widening surplus.
    - o **Secondary income (-RM1.2b; 4Q24: -RM5.9b): lowest deficit in three quarters**
      - Largely driven by an increase in inward remittances (RM11.1b; 4Q24: RM7.6b) and lower outward remittances (RM12.3b; 4Q24: RM13.4b).
    - o **Goods (RM38.5b; 4Q24: RM36.9b): highest surplus in nine quarters**
      - Mainly as imports (-5.2% QoQ) contracted faster than exports (-4.0% QoQ). That being said, demand for Malaysia's electrical and electronics products remained resilient, helped in part by a weaker ringgit (1Q25 average: 4.45/USD; 4Q24: 4.40/USD).
    - o **Services (-RM3.4b; 4Q24: -RM1.0b): deficit more than tripled**
      - Dragged by lower surpluses in manufacturing services (RM3.1b; 4Q24: RM4.4b) and travel (RM10.1b; 4Q24: RM10.9b), alongside deeper deficits in other business services (-RM2.7b; 4Q24: -RM2.0b) and intellectual property payments (-RM2.6b; 4Q24: -RM2.0b).
    - o **Primary income (-RM17.1b; 4Q24: -RM17.1b): broadly unchanged**
      - Lower earnings from Malaysian investments abroad (RM18.3b; 4Q24: RM24.1b) were nearly offset by reduced profits repatriation by foreign firms (RM35.5b; 4Q24: RM41.2b).
  - The financial account deficit widened sharply to RM20.3b in 1Q25 (4Q24: -RM9.3b), largest since the pandemic (3Q20)
    - **Portfolio investment (-RM48.3b; 4Q24: -RM42.0b):** largest deficit on record driven by continued outflows. Weak foreign demand for domestic equity (-RM7.9b; 4Q24: -RM2.0b) was compounded by rising resident investments in foreign debt (-RM8.4b; 4Q24: -RM4.0b) and equity securities (-RM26.0b; 4Q24: -RM21.7b). These outflows were partially offset by modest foreign demand for local bonds (-RM6.0b; 4Q24: -RM14.3b).
    - **Financial derivatives (-RM1.7b; 4Q24: RM2.7b):** swung into deficit, likely due to increased offshore hedging by local firms amid expectations of a weaker ringgit under Trump 2.0.
    - **Direct investment (RM12.1b; 4Q24: RM13.5b):** inflows moderated as foreign direct investment (RM26.9b; 4Q24: RM29.7b) eased.
    - **Other investment (RM17.6b; 4Q24: RM16.5b):** steady inflows, driven by higher interbank borrowing.

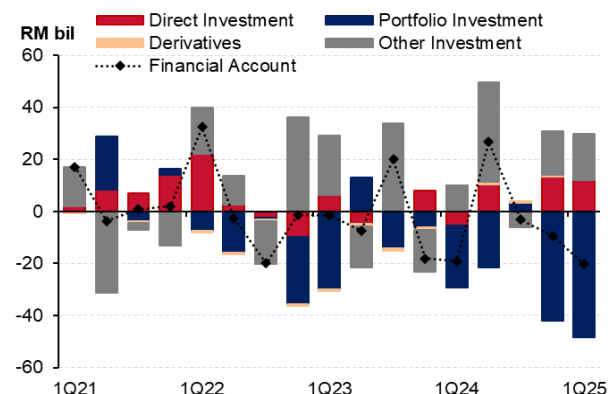
Graph 1: Current Account Trend



Graph 2: Current Account Annual Trend & Forecast



Graph 3: Financial Account Trend



19 May 2025

- **Despite Trump's erratic trade stance, Malaysia's exports should still outpace imports. Combined with buoyant tourism receipts, this should ensure a reasonably large surplus in the current account (CA) balance which is projected to enlarge to 1.9% of GDP in 2025 (2024: 1.4%)**
  - A 90-day reciprocal tariff reprieve (ex-China) until July 9 is expected to drive a 2Q25 export surge as firms front-load shipments ahead of possible levies. The global tech upcycle and strong AI-related demand will provide further tailwinds for Malaysia's export-oriented sectors. While export momentum may fade in 2H25, a strong 1H25 should keep the CA balance in surplus, even if global demand softens. Despite rising tariff headwinds for the travel industry, tourism also looks resilient despite rising tariff risks. The US-China trade war truce offers a faint but welcome sign of de-escalation.
  - **USDMYR year-end forecast (4.45; 2024: 4.47): Cautious optimism.** Several tailwinds could strengthen the ringgit in 2H25: expected Fed rate cuts, sustained foreign interest in Malaysian capital markets, and growing scepticism about the US economy, which is fuelling de-dollarisation. That said, risk remains. Risk-on currencies remain volatile, and the greenback could rebound—especially if Trump softens his stance on trade, given the dollar's high beta to favourable trade news. If policy clarity emerges, we see material upside for the ringgit, potentially strengthening below 4.20/USD by year-end.
  - **Bank Negara Malaysia (BNM) policy rate: Holding steady.** Despite a surprise cut to the Statutory Reserve Requirement (SSR) recently, we expect BNM to keep the Overnight Policy Rate at 3.00% for now. The SSR adjustment appears aimed at liquidity management, rather than a signal of broader monetary easing. For now, growth remains steady, inflation is low, and financial conditions are relatively stable—leaving little need for policy changes. Focus now shifts to upcoming tariff negotiations, which could reshape global trade flows and, by extension, influence policy ahead.

**Table 1: Balance of Payments**

RM billion	2023	2024	2Q23	3Q23	4Q23	1Q24	2Q24	3Q24	4Q24	1Q25
<b>Current Account</b>	<b>20.0</b>	<b>27.7</b>	<b>8.2</b>	<b>7.1</b>	<b>0.9</b>	<b>8.7</b>	<b>4.3</b>	<b>1.8</b>	<b>12.9</b>	<b>16.7</b>
% of GDP	1.1	1.4	1.9	1.5	0.2	1.9	0.9	0.4	2.6	3.4
Merchandise Balance	130.9	114.5	30.2	32.7	29.7	31.1	24.0	22.4	36.9	38.5
Exports fob	1057.7	1135.7	254.9	261.4	275.8	272.4	278.5	289.8	295.0	283.2
Imports fob	926.8	1021.2	224.7	228.7	246.1	241.2	254.5	267.4	258.1	244.7
Services Balance	-44.0	-11.7	-11.9	-10.6	-7.7	-6.1	-3.7	-0.8	-1.0	-3.4
Primary Income	-55.7	-66.1	-8.0	-13.1	-19.2	-16.7	-14.8	-17.4	-17.1	-17.1
Transfers/Secondary Income	-11.2	-9.0	-2.1	-1.8	-2.0	0.5	-1.2	-2.4	-5.9	-1.2
<b>Capital Account</b>	<b>-0.3</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>-0.1</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>-0.1</b>	<b>0.1</b>
<b>Financial Account</b>	<b>-7.1</b>	<b>-4.9</b>	<b>-7.5</b>	<b>20.0</b>	<b>-18.1</b>	<b>-19.1</b>	<b>26.6</b>	<b>-3.1</b>	<b>-9.3</b>	<b>-20.3</b>
Direct Investment	8.5	17.7	-4.8	-0.8	7.9	-5.5	10.5	-0.7	13.5	12.1
Abroad	-30.1	-33.9	-6.4	-10.0	-10.1	-10.7	0.9	-18.8	-5.2	-3.5
In Malaysia	38.6	51.5	1.6	9.2	17.9	5.2	9.6	18.1	18.7	15.6
Portfolio Investment	-36.5	-84.1	12.9	-13.6	-6.1	-23.8	-21.7	3.4	-42.0	-48.3
Financial Derivative	-3.9	2.8	0.3	0.5	-3.8	1.1	-0.6	-0.4	2.7	-1.7
Other Investment	24.8	58.7	-15.9	33.8	-16.1	9.1	38.4	-5.3	16.5	17.6
Reserve Assets	20.5	-15.7	12.4	-7.7	10.1	-8.7	1.3	-2.3	-6.0	-3.1
Errors & Omissions	-33.1	-7.0	-13.1	-19.4	7.3	19.1	-32.3	3.7	2.5	6.6

Source: Department of Statistics, Macrobond, Kenanga Research

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