

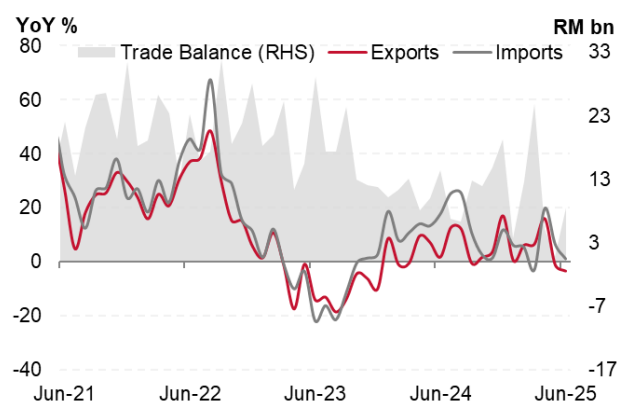
21 July 2025

Malaysia External Trade

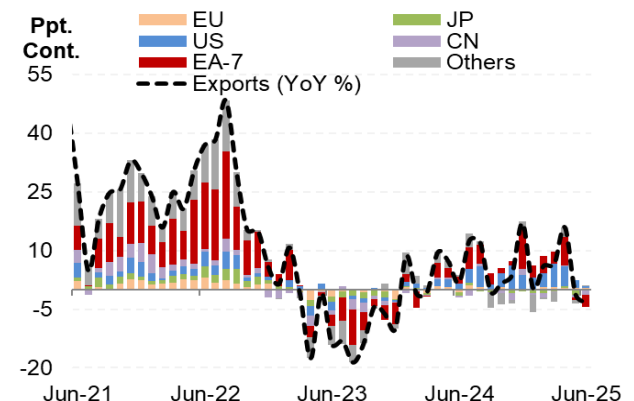
June exports and total trade fell to 18-month low; missed expectations

- **Exports contracted for the second straight month, falling 3.5% (May: -1.2%), marking 18-month low and missing expectations (KIBB: 1.6%; consensus: 5.4%)**
 - MoM (-3.9%; May: -5.2%): declined for the third straight month, disappointing expectations for pre-tariff front-loading.
- **Weak exports to key destinations and soft commodity shipments dragged overall performance**
 - **By destination:** Shipments fell to Singapore (-16.9%; May: -18.0%), China (-9.3%; May: -4.3%), and Japan (-1.6%; May: -25.8%), for a second straight month. Shipments to the US (4.7%; May: 16.1%) slowed sharply but remained positive, while the EU (4.6%; May: 6.0%) also moderated.
 - **By sector:** manufacturing exports (-3.3%; May: -0.3%) contracted for the second straight month, an 18-month low. Mining (-28.7%; May: -23.5%) fell further, reaching a four-month low. However, agriculture (17.5%; May: 8.2%) surged, hitting a four-month high, partially offsetting the overall decline.
 - **By major product:** electrical & electronic (E&E) exports (1.3%; May: 7.1%) which account for 44.3% of total exports, slowed to a nine-month low peaking in April (35.3%). Commodities-related exports remained weak, led by petroleum products (-28.1%; May: -9.3%), liquefied natural gas (LNG) (-26.5%; May: 6.7%) and crude petroleum (-42.7%; May: -8.5%).
- **Imports slowed sharply to 1.2% (May: 6.6%), below expectations (KIBB: 4.5%; consensus: 9.3%)**
 - **Drivers:** the slowdown was broad-based, led by a sharp moderation in re-exports (3.4%; May: 16.1%) and retained imports (0.6%; May: 4.4%).
 - **By category:** import of intermediate goods declined (-1.2%; May: -4.3%) for the fourth straight month, while capital goods (21.8%; May: 63.2%) moderated sharply. The slowdown was partially offset by a rebound in consumption goods (1.6%; May: -0.8%).
 - MoM (-10.1%; May: -2.0%): fell sharply, marking the second straight monthly drop.
- **Trade surplus widened to RM8.6b (May: RM0.8b) but still missed expectations (KIBB: RM11.2b; consensus: RM10.9b)**
 - Total trade fell by 1.2% YoY (May: 2.6%), the lowest in 18 months, with MoM decline (-7.0%; May: -3.6%) sharply.
- **2025 exports forecast maintained at 3.1% (2024: 5.7%) amid Trump's tariff and weak commodity exports**
 - **Outlook:** Exports grew 3.8% in 1H25 (versus Jan-May: 5.4%), slightly above of our full-year forecast, as 2Q25 slowed to 3.4% (1Q25: 4.3%). June's miss reflects continued volatility in external trade, with short term prospects clouded by uncertainty over tariffs and commodity shipments along with trade falling short of expectations for pre-tariff front-loading.
 - **Risks:** While US trade tensions have eased following the recent deal, uncertainty persists, particularly if retaliation by major economies materialise. This could disrupt global trade and weighed on Malaysia's growth outlook. On going US-Malaysia trade negotiations add further ambiguity, especially as Malaysia's tariff rates remain higher than Indonesia's (19%) and Vietnam's (20%).
 - **Positives:** E&E demand is expected to hold firm, supported by new product launches and rising demand for 5G and AI adoption, though growth likely to remain modest.
 - **GDP Outlook:** Advance 2Q25 GDP matched our expectation, reflecting sustained services growth despite continued mining contraction and a slowdown in manufacturing. Looking ahead, we anticipate steady growth in 2H25, led by services and construction, especially after final government approval for the MRT3 mega infrastructure project. However, prolonged commodity weakness persistent tariff risks will continue to weigh on overall growth. That said, we maintain 2025 GDP growth forecast at 4.3% (2024: 5.1%).

Graph 1: External Trade Growth



Graph 2: Exports by Destination



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Table 1: Malaysia External Trade Growth Trend

		2021	2022	2023	2024	Jun-24	Jan-25	Feb-25	Mar-25	Apr-25	May-25	Jun-25
Total Trade	%YoY	24.9	27.6	-7.3	9.2	8.7	3.1	5.8	2.1	17.8	2.6	-1.2
Trade Balance	RM bil	253.7	256.2	215.2	139.1	14.3	3.7	12.6	24.8	5.1	0.8	8.6
Exports	%YoY	26.1	24.9	-8.0	5.8	1.7	0.4	6.1	6.5	15.9	-1.2	-3.5
	%MoM					-1.6	-11.4	-3.7	16.1	-2.8	-5.2	-3.9
Manufacturing	%YoY	25.7	22.4	-6.9	5.9	0.9	0.5	8.8	8.9	19.0	-0.3	-3.3
	Shr	86.1	84.2	85.3	85.5	87.0	84.8	85.7	86.9	86.7	86.9	87.1
Agriculture	%YoY	36.8	23.3	-21.8	11.7	1.6	10.9	27.3	5.3	3.4	8.2	17.5
	Shr	7.9	7.8	6.6	7.0	6.0	7.4	7.3	6.0	6.3	7.7	7.4
Mining	%YoY	20.6	67.0	-10.0	-2.5	16.2	-12.3	-33.0	-16.4	-1.3	-23.5	-28.7
	Shr	5.7	7.6	7.4	6.8	6.4	6.9	6.1	6.4	6.1	4.6	4.7
Others	%YoY	11.4	51.5	26.8	15.4	-20.3	26.9	3.3	-0.2	8.2	-19.3	7.0
	Shr	0.4	0.5	0.6	0.7	0.6	0.8	0.9	0.8	0.9	0.7	0.8
Imports	%YoY	23.3	31.0	-6.4	13.1	17.8	6.2	5.5	-2.9	19.9	6.6	1.2
	%MoM					-5.4	-0.2	-11.4	6.5	14.1	-2.0	-10.1
Capital	%YoY	14.4	15.8	7.1	29.6	23.5	45.6	35.3	-19.4	113.9	63.2	21.8
	Shr	10.5	9.3	10.6	12.2	10.7	16.7	13.1	11.6	18.3	18.0	12.9
Intermediate	%YoY	27.2	29.5	-12.2	20.7	37.2	3.4	5.7	-0.6	-1.7	-4.3	-1.2
	Shr	55.3	54.6	51.2	54.7	54.5	51.0	55.6	52.4	45.3	51.8	53.1
Consumption	%YoY	13.2	24.0	0.1	12.8	13.6	-2.6	7.6	3.7	-0.4	-0.8	1.6
	Shr	8.5	8.0	8.6	8.6	8.3	8.4	8.6	8.6	7.6	8.0	8.3

*Shr = share to total exports or imports.

Source: Dept. of Statistics preliminary release, Kenanga Research

For further information, please contact:

Wan Suhaimie Wan Mohd Saidie
Head of Economic Research
wansuhaimi@kenanga.com.my

Muhammad Saifuddin Sapuan
Economist
saifuddin.sapuan@kenanga.com.my

Afiq Asyraf Syazwan Abd. Rahim
Economist
afiqasyraf@kenanga.com.my

Nurul Hanees Hairulkama
Economist
nurulhanees@kenanga.com.my

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KENANGA INVESTMENT BANK BERHAD (15678-H)

Level 17, Kenanga Tower, 237, Jalan Tun Razak, 50400 Kuala Lumpur, Malaysia

Telephone: (603) 2172 0880 Website: www.kenanga.com.my E-mail: research@kenanga.com.my