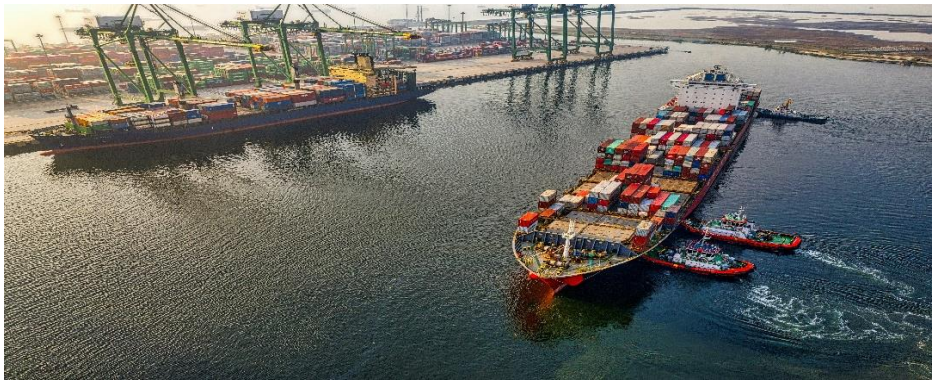
Slow Start for Malaysia's Exports, only Growing by +0.3%yoy in Jan-25

ECONOMIC REVIEW:
Jan-25 External Trade



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Economic Review

- Exports growth slowed in Jan-25. Malaysia's total trade growth softened to +3.1%yoy in Jan-25 (Dec-24: +14.5%yoy) primarily reflecting the sharp slowdown in exports (+0.3%yoy; Dec-24: +16.9%yoy), marking the lowest reading since Sep-24.
- E&E exports sustained, offsetting weakness in LNG and crude petroleum exports. By sector, manufacturing exports (share: 84.8% of total exports) recorded tepid growth of +0.4%yoy in Jan-25. This was primarily due to steady exports of E&E products (+14.8%yoy; Dec-24: +27.9%yoy), namely semiconductor (+16%yoy) and automatic data processing (+78.8%yoy).
- Import growth also moderated. Import growth moderated to +6.2%yoy in Jan-25 (Dec-24: +11.9%yoy), expanding for 15 straight months and still signaling robust domestic demand. The growth was supported by the surge in capital goods imports by +41.5%yoy (Dec-24: +41.3%yoy).
- Exports and imports are expected to continue growing in 2025. We forecast external trade to continue growing this year, with exports and imports expected to grow at +4.9% and +4.5%, respectively.

Exports growth slowed in Jan-25. Malaysia's total trade growth softened to +3.1%yoy in Jan-25 (Dec-24: +14.5%yoy) primarily reflecting the sharp slowdown in exports (+0.3%yoy; Dec-24: +16.9%yoy), marking the lowest reading since Sep-24. The weaker export performance mainly stemmed from lower shipments of petroleum products (-34.1%yoy), while exports of E&E products and palm oil & palm oil-based products (accounting for 46% of total exports) grew further although easing to +14.8%yoy (Dec-24: +27.9%yoy) and +10.5%yoy (Dec-24: +27.7%yoy), respectively. Re-exports declined to -8.7%yoy (Dec-24: +33.5%yoy) and domestic exports grew softer by +2.9%yoy (Dec-24: +13.3%yoy), both contributing to the slower export growth during the month. Meanwhile, imports moderated to +6.2%yoy (Dec-24: +11.6%yoy), whereby growth was driven by increased imports of E&E products (+40.8%yoy) and machinery, equipment & parts (+9.1%yoy). On a month-on-month basis, the monthly decline in exports was notably faster at -11.3%mom (Dec-24: +9.6%yoy) vis-à-vis -0.2%mom contraction in imports (Dec-24: +7.3%yoy), which led to a narrowing of trade surplus to +RM3.6b (Dec-24: +RM19.1b), the smallest since Apr-20. Looking ahead, Malaysia's exports will remain supported by steady demand for E&E products, in line with the sector's ongoing upcycle, and other commodities. Nonetheless, uncertainties surrounding trade policy changes by the US and weaker demand from major trading partners remain a threat to Malaysia's trade outlook.

Table 1: Malaysia's External Trade Summary

	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24	Jan-25
Exports (RM b)	129.0	123.6	128.1	126.3	138.5	122.8
YoY%	12.0	(0.6)	1.6	3.9	16.9	0.3
MoM%	(1.6)	(4.2)	3.7	(1.4)	9.6	(11.3)
Imports	123.5	110.8	116.3	111.3	119.3	119.2
YoY%	26.2	10.9	2.7	1.6	11.9	6.2
MoM%	(1.0)	(10.3)	4.9	(4.3)	7.3	(0.2)
Total Trade	252.5	234.3	244.4	237.6	257.8	241.9
YoY%	18.5	4.5	2.1	2.8	14.5	3.1
MoM%	(1.3)	(7.2)	4.3	(2.8)	8.5	(6.2)

Trade Balance	5.5	12.8	11.9	15.1	19.1	3.6
Import Components						
Intermediate (RM b)	72.4	58.7	62.8	63.3	61.0	60.7
% YoY	40.5	18.0	12.6	12.7	1.5	3.3
Capital (RM b)	14.9	16.9	12.3	13.3	17.4	20.0
% YoY	39.4	56.3	(3.1)	(10.1)	41.3	45.9
Consumption (RM b)	10.3	8.8	9.6	10.1	10.3	10.1
% YoY	21.2	0.3	2.9	3.3	11.5	(2.6)

Note: MoM is non-seasonally adjusted figure
Source: Macrobond, MIDFR

Exports to US and Singapore moderated vs. weaker exports to China. By destination, exports to Singapore and the US, Malaysia's top 2 export markets in Jan-25 (share: 31% of total exports), grew robustly albeit softening to +19.7%yoy (Dec-24: +44.3%yoy) and +28.1%yoy (Dec-24: +29.4%yoy), respectively. Export growth to these two markets was driven by rising demand for E&E products, driven by the ongoing growth cycle. Meanwhile, shipments to Taiwan recorded 13 straight months of double-digit growth, rising by +26.3%yoy (Dec-24: +66.7%yoy) stemming from robust demand for E&E products namely semiconductor devices and integrated circuits. Coupled with robust import growth of +92.5%yoy, Malaysia's total trade with Taiwan surged to RM20.45b, exceeding the RM20b mark and strengthening Taiwan's position as Malaysia's fourth-largest trading partner. Contrastingly, Malaysia's exports to the China weakened again, declining by -4%yoy (Dec-24: +9.6%yoy) due to lower shipments of LNG, petroleum products, and metalliferous ores & metal scrap. Exports to other major regions, i.e. the EU and ASEAN also declined by -2.6%yoy (Dec-24: +2.5%yoy) and -1.5%yoy (Dec-24: +16.3%yoy), reversing from growth seen in the previous month. Shipments to Japan even fell faster at -11.2%yoy (Dec-24: -7.5%yoy), contracting for the 6th consecutive month, due to reduced purchases of E&E products and crude petroleum. Going forward, we expect exports to key markets like Singapore, the US and Taiwan will continue to be supported by sustained demand for E&E products. Nonetheless, escalating trade tension with unfavourable tariffs and quotas, particularly the planned tariffs on semiconductors could weigh on Malaysia's exports and cloud trade outlook. Despite the effect of Lunar New Year holiday, we keep a cautious view on demand from China given the intensified trade tensions and ongoing challenges in the property market.

Table 2: Malaysia's Exports (YoY%)

	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24	Jan-25
Total Exports (RM b)	129.0	123.6	128.1	126.3	138.5	122.8
Re-exports (RM b)	22.8	23.6	28.7	21.2	28.3	25.3
Domestic Exports (RM b)	106.2	99.9	99.4	105.1	110.2	97.5
Exports by Key Country / Region						
China	4.8	(2.9)	(6.6)	(11.9)	9.6	(4.0)
USA	45.4	9.1	32.5	57.3	29.4	28.1
Japan	(5.6)	(12.1)	(0.4)	(9.4)	(7.5)	(11.2)
Taiwan	75.1	74.0	49.0	70.2	66.7	26.3
India	3.0	(12.1)	23.4	13.4	26.8	(5.0)
Hong Kong	11.7	3.6	(5.3)	(2.2)	33.5	12.3
Australia	10.5	(7.5)	(9.4)	(8.6)	33.2	(15.8)
EU	8.5	2.1	7.6	(4.3)	2.5	(2.6)
ASEAN	8.0	(4.6)	(3.1)	(6.4)	16.3	(1.5)
Singapore	12.4	(1.1)	5.6	(1.4)	44.3	19.7
Thailand	1.0	3.6	0.3	(9.7)	17.6	3.2
Indonesia	38.1	7.2	13.7	(7.2)	(14.3)	(23.5)
Vietnam	(11.7)	(26.0)	(30.6)	(30.6)	(15.9)	(47.4)
Philippines	(14.7)	(1.7)	(17.2)	7.1	(7.0)	3.8

Source: Macrobond, MIDFR

E&E exports sustained, offsetting weakness in LNG and crude petroleum exports. By sector, manufacturing exports (share: 84.8% of total exports) recorded tepid growth of +0.4%yoy in Jan-25. This was primarily due to steady exports of E&E products (+14.8%yoy;

Dec-24: +27.9%yoy), namely semiconductor (+16%yoy) and automatic data processing (+78.8%yoy). Similarly, agriculture goods exports moderated to +11%yoy during the month, with sustained growth in exports of palm oil and palm oil-based agriculture products (+8.7%yoy). Coupled with slower growth in exports of palm oil-based manufactured goods (+14.2%yoy), the palm oil sector's exports also increased at softer pace (+10.5%yoy; Dec-24: +27.7%yoy). Exports of mining goods declined double digits by -12.6%yoy due to weakness in exports of LNG (-13.3%yoy) and crude petroleum (-12.3%yoy). We opine that strong demand for E&E products and palm oil will continue to drive Malaysia's export growth going forward. However, the US' plan to impose 25% tariffs on automobiles, pharmaceuticals, and semiconductors could potentially drag Malaysia's exports, as E&E products accounted for 60.3% of total exports to the US in 2024. For now, the current implementation of 10% tariff on China presents an opportunity for Malaysia to benefit from re-direction of investment and trade flows and expand its market share.

Table 3: Malaysia's Exports by Major Products (YoY%)

	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24	Jan-25
E&E	16.5	0.5	7.8	12.4	27.9	14.8
Machinery, Equipment & Parts	21.3	10.2	9.8	21.6	15.7	7.8
Optical & Scientific Equipment	22.2	(0.6)	3.6	6.1	4.4	(13.4)
Palm oil & palm oil-based products	21.1	10.3	13.8	11.7	27.7	10.5
Crude Petroleum	(33.4)	(34.2)	(46.1)	(46.6)	(12.1)	(12.3)
Petroleum Products	(18.6)	(30.7)	(35.0)	(33.4)	8.0	(34.1)
LNG	(15.9)	2.9	8.9	2.8	(7.4)	(13.3)
Rubber products	44.4	14.0	34.1	21.3	29.8	13.4
Transport equipment	12.4	(0.8)	(18.1)	15.3	3.8	(9.3)

Source: Macrobond, DOSM, MIDFR

Import growth also moderates. Import growth moderated to +6.2%yoy in Jan-25 (Dec-24: +11.9%yoy), expanding for 15 straight months and still signaling robust domestic demand. The growth was supported by the surge in capital goods imports by +41.5%yoy (Dec-24: +41.3%yoy) mainly due to purchases of non-transport capital goods, such as components for data centres, and transport capital goods, mainly aircraft deliveries. Moreover, purchases of intermediate goods rose +3.3%yoy (Dec-24: +1.5%yoy), whereas consumption goods imports declined by -2.6%yoy (Dec-24: +11.5%yoy) stemming from lower non-durables imports, especially medications. By sector, imports of manufacturing goods, accounting 85.2% of total imports grew softer at +8.5%yoy (Dec-24: +14.8%yoy), but mainly driven by inbound shipments of E&E products (+40.8%yoy) and palm oil-based manufactured products (+53.9%yoy). Contrastingly, imports for the mining sector continued to decline by -21.2%yoy (Dec-24: -24.9%yoy), primarily due to reduction in purchases for crude petroleum (-23.1%yoy) and LNG (-57.2%yoy). Overall, we expect import growth to remain positive, driven by robust domestic spending and expanding business activities, supported by Malaysia's resilient labour market and steady economic growth.

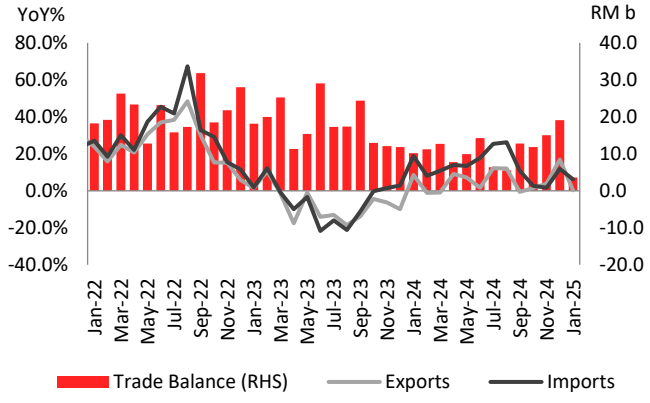
Volume change had a larger impact on trade performance in Dec-24. Based on the latest data as of Dec-24, stronger export and import growth was driven mainly by higher trade volume. The acceleration in export growth to +16.9%yoy in Dec-24 (Nov-24: +3.9%yoy) was attributable to the faster rise in export volume (+14.8%yoy; Nov-24: +4%yoy), mainly for products such as oils & fats, beverages & tobacco and chemicals. Volume rebounds were also recorded for commodities such as foods; mineral fuels, lubricants & related materials; manufactured goods; and inedible crude materials. Export prices also picked up, rebounding to +1.8%yoy in Dec-24 from marginal decline of -0.1%yoy in Nov-24. Meanwhile, imports also grew faster at +11.9%yoy (Nov-24: +1.6%yoy), largely due to higher import volume (+12.5%yoy; Nov-24: +4.4%yoy) which was partly offset by lower import prices (-0.5%yoy; Nov-24: -2.7%yoy). The rise in import volume was primarily seen in imports of machinery & equipment; beverages & tobacco; and inedible crude materials. Import volume of chemicals or chemical products even registered the first growth in Dec-24 after 3 straight months of contraction. The decline in import prices, however, was recorded by various import products such as mineral fuels, lubricants & related materials; chemicals; inedible crude materials; manufactured goods; and even machinery & transport equipment. Import prices for oils & fats, however, rose faster in Dec-24 among others due to higher CPO prices.

Surplus narrowed to post-pandemic. In Jan-25, the monthly trade surplus narrowed to +RM3.6b (Nov-24: +RM19.1b), the lowest since Apr-20 during the peak of the global pandemic. The smaller surplus was mainly attributable to by the lower surplus in E&E trade which shrank to +RM4.2b (Dec-24: +RM16.1b) due to both +8.6%mom in E&E imports and -14%mom in E&E exports. With the lower surplus in E&E trade, this makes palm oil and LNG the top 2 sectors contributing to the trade surplus. However, due to weaker exports which fell from the previous month, the level of surplus for both sectors also narrowed in Jan-25: palm oil & palm oil-based products (Jan-25: +RM8.2b; Dec-24: +RM9.5b) and LNG (Jan-25: +RM4.9b; Dec-24: +RM5.5b). On another note, the deficits in the trade of machinery, equipment & parts narrowed to -RM3.8b (Dec-24: -RM4.3). Similarly, trade deficits for

petroleum trade narrowed to -RM1.5b (Dec-24: -RM1.8b), as the reduction in imports of processed petroleum products more than offset the reduced exports of crude petroleum. For now, we continue to expect surpluses in trade of E&E products, palm oil & palm oil-based products and LNG will keep Malaysia's overall trade balance in surplus.

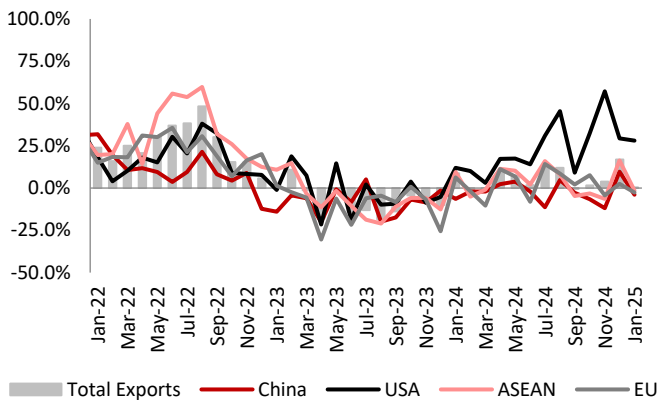
Exports and imports are expected to continue growing in 2025. We forecast external trade to continue growing this year, with exports and imports expected to grow at +4.9% and +4.5%, respectively. We anticipate rising demand for E&E products and palm oil to support export growth in the coming months. Meanwhile imports are expected to expand further, supported by strong domestic demand and increased business activity. However, we remain cautious about potential risks to Malaysia's external trade outlook, including uncertainties surrounding the US tariff policies, resurgence of inflation, escalating geopolitical conflicts and weaker demand from key trading partners that pose significant downside risks to global trade (and global growth). We foresee a challenging trade landscape in Malaysia in the coming months, if the US proceeds to impose higher tariffs on semiconductors that could potentially weigh down on trade with the US. Nonetheless, we believe that Malaysia is well-positioned to navigate the challenging trade landscape due to solid economic fundamentals, with continued support from growing domestic demand, resilient household spending, and increased investments.

Chart 1: Exports & Imports (YoY%) vs Trade Balance (RM b)



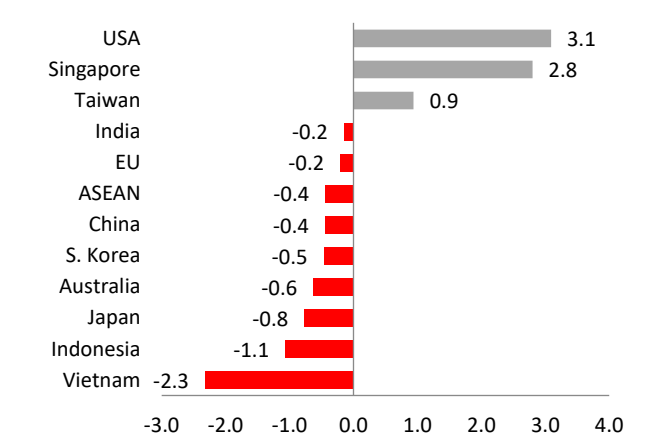
Source: Macrobond, MIDFR

Chart 2: Exports Growth by Major Destination (YoY%)



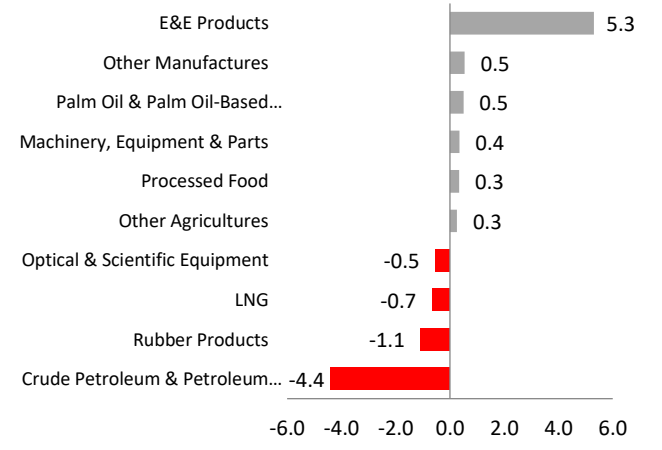
Source: Macrobond, MIDFR

Chart 3: Contribution to Total Exports Growth in Jan-25 by Destinations (%-points)



Source: Macrobond, MIDFR

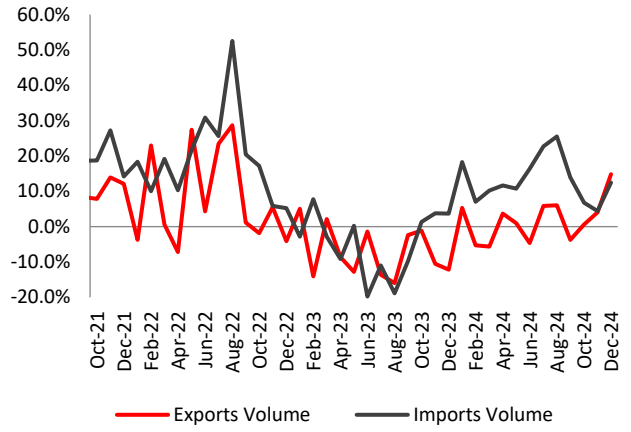
Chart 4: Contribution to Total Exports Growth in Jan-25 by Key Products (%-points)



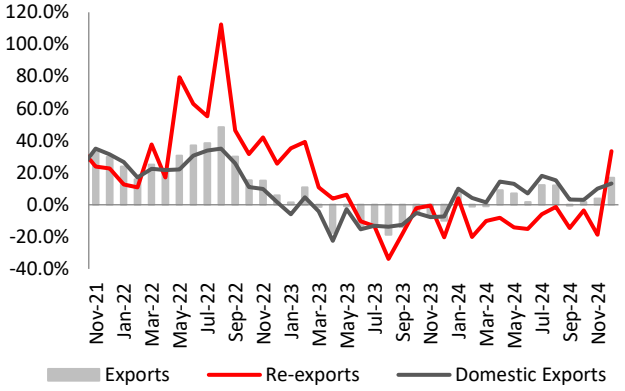
Source: Macrobond, MIDFR

Chart 5: Exports vs Imports Volume (YoY%)

Chart 6: Exports: Domestic vs Re-exports (YoY%)

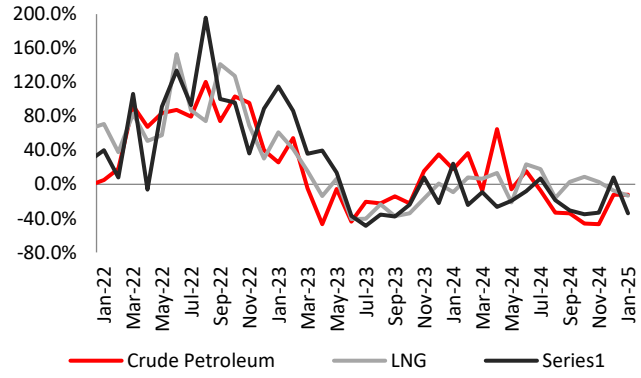


Note: The latest available trade volume data is Dec-24
Source: Macrobond, MIDFR



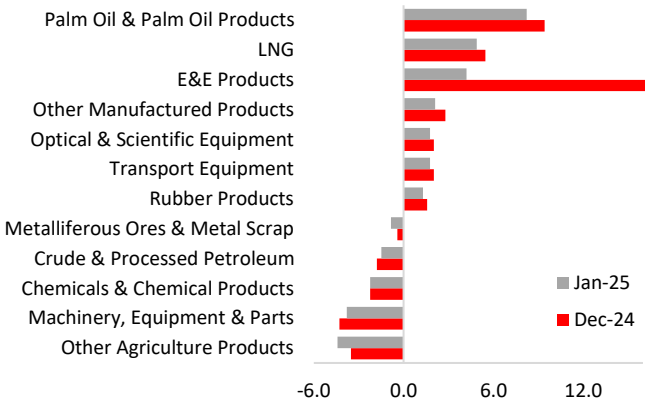
Source: Macrobond, MIDFR

Chart 7: Exports of Mining Goods (YoY%)



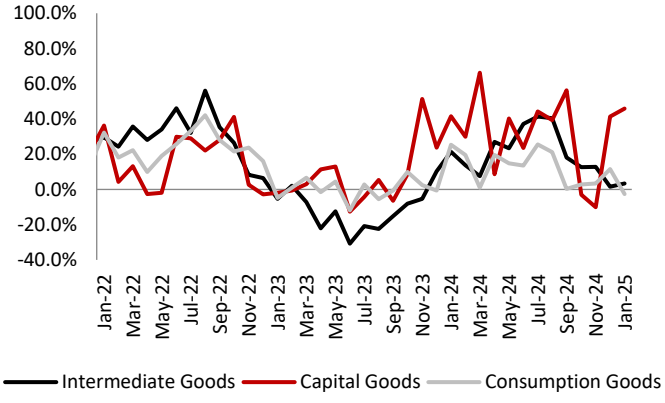
Source: Macrobond, MIDFR

Chart 8: Jan-25 Trade Balance by Selected Products (RM b)



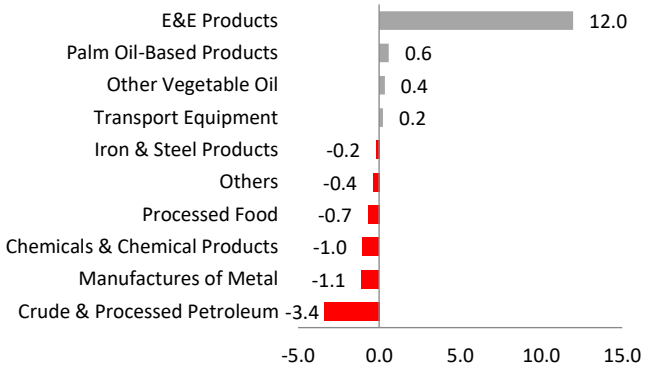
Source: Macrobond, MIDFR

Chart 9: Imports of Goods by End Use (YoY%)



Source: Macrobond, MIDFR

Chart 10: Contribution to Total Imports Growth in Jan-25 by Key Products (%-points)



Source: Macrobond, MIDFR

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