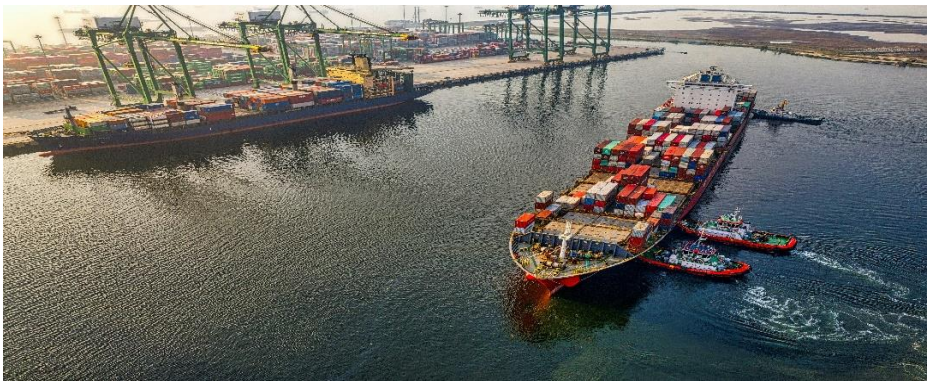
Subdued Exports in May-25, Amid Continued Weakness in Mining Exports

ECONOMIC REVIEW:
May-25 External Trade



Author
MIDF Research
research@midf.com.my

Economic Review

- Exports weakened in May 25. Malaysia's total trade moderated by +2.6%yoy in May-25 (Apr-25: +18.1%yoy) from the previous month's double-digit growth. The sharp growth slowdown was attributable to the decline in exports of -1.1%yoy (Apr-25: +16.4%yoy), marking the first drop since Sep-24 and weaker than ours and market expectations.
- E&E exports are still growing, although easing momentum. By sector, manufacturing exports (share: 87% of total exports) fell by -0.3%yoy (Apr-25: +19.0%yoy) from double-digit growth in the previous month. The weakness can be attributable to weaker E&E exports, which grew softer at +7.0%yoy in May-25 (Apr-25: +35.4%yoy), after recording double-digit growth for five consecutive months.
- Imports continued to grow but at slower pace. Imports growth eased to +6.6%yoy in May-25 (Apr-25: +20.0%yoy) after the previous month's double-digit growth. Nonetheless, the value of monthly imports remained relatively high at RM125.9b (Apr-25: RM128.4b).
- Moderate trade growth projected for 2025. We forecast export growth to moderate to +2.0% in 2025 (2024: +5.7%) and import growth to ease to +4.5% (2024: +13.2%), reflecting a more cautious outlook amid ongoing trade uncertainties. In the near term, the boost to exports from front-loading activities during the 90-day tariff pause may be less pronounced than expected.

Exports weakened in May 25. Malaysia's total trade moderated by +2.6%yoy in May-25 (Apr-25: +18.1%yoy) from the previous month's double-digit growth. The sharp growth slowdown was attributable to the decline in exports of -1.1%yoy (Apr-25: +16.4%yoy), marking the first drop since Sep-24 and weaker than ours and market expectations. Outbound shipments for E&E products recorded the softest growth in seven months (+7.0%yoy; Apr-25: +35.3%yoy), while petroleum products contracted double-digits (-28.9%yoy; Apr-25: -9.3%yoy). In contrast, palm oil expanded slightly faster by +8.9 %yoy (Apr-25: +8.2 %yoy). Re-exports growth slowed down to +16.1%yoy (Apr-25: +45.9%yoy), while domestic exports contracted by -4.7%yoy (Apr-25: +9.0%yoy). Meanwhile, import growth moderated to +6.6%yoy (Apr-25: +20.0%yoy) from the previous month's robust growth, which was the fastest since Aug-24. The moderation reflected mainly the slower expansion in inbound shipments of manufactured goods such as E&E (39.4%yoy; Apr-25: +65.1 %yoy) and machinery (+0.6 %yoy; Apr-25: +17.6 %yoy). On a monthly basis, exports fell steeper by -5.2% mom (Apr-25: -2.8% mom), while imports dropped by -2.0% mom (Apr-25: +14.1 % mom), resulting in a narrower trade surplus of +RM0.8b (Apr-25: +RM5.1b), the lowest in over 3 decades. Overall, the weaker trade data in May-25 reflects a limited boost from front-loading activities, suggesting that firms may be adopting a wait-and-see approach amid uncertainties surrounding the trade negotiations and ongoing geopolitical tensions. In other words, the front-loading boost to Malaysia's exports in the coming months may not be as strong as previously anticipated. Meanwhile, import growth is likely to remain firm in the near term as companies continue stockpiling with the reciprocal tariffs paused for 90 days until early next month.

Table 1: Malaysia's External Trade Summary

	Dec-24	Jan-25	Feb-25	Mar-25	Apr-25	May-25
Exports (RM b)	138.5	122.8	118.2	137.3	133.5	126.6
YoY%	16.9	0.3	6.2	6.8	16.4	(1.1)

MoM%	9.6	(11.3)	(3.7)	16.1	(2.8)	(5.2)
Imports	119.3	119.2	105.6	112.5	128.4	125.9
YoY%	11.9	6.2	5.5	(2.9)	20.0	6.6
MoM%	7.3	(0.2)	(11.4)	6.5	14.1	(2.0)
Total Trade	257.8	242.0	223.9	249.8	261.9	252.5
YoY%	14.5	3.1	5.9	2.2	18.1	2.6
MoM%	8.5	(6.1)	(7.5)	11.6	4.8	(3.6)
Trade Balance	19.1	3.7	12.6	24.7	5.1	0.8
Import Components						
Intermediate (RM b)	61.0	60.8	58.7	58.9	58.2	65.1
% YoY	1.5	3.4	5.7	(0.6)	(1.7)	(4.4)
Capital (RM b)	17.4	19.9	13.8	13.0	23.5	22.7
% YoY	41.3	45.6	35.3	(19.4)	113.9	63.7
Consumption (RM b)	10.3	10.1	9.1	9.7	9.7	10.1
% YoY	11.5	(2.6)	7.6	3.7	(0.4)	(1.1)

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

Sustained demand from US, exports to China fell again. By destination, exports to the US continued to expand double-digits, albeit at a softer pace of +16.1%yoy in May-25 (Apr-25: +45.6%yoy), supported by demand for E&E products and other manufactured goods. Meanwhile, exports to Taiwan rose remained robust, growing by +41.4%yoy (Apr-25: +44.7%yoy), maintaining double-digit growth for the third consecutive month thanks to resilient demand for E&E products and surge in exports for petroleum products, which accelerated to +127.9%yoy (Apr-25: +4.6%yoy). In contrast, exports to Singapore and China (share: 26.3% of total exports) fell by -18.0%yoy and -4.3%yoy, respectively, attributable to weaker demand for E&E products. For exports to China, the decline was also weighed down by continued contractions in chemical & chemical products and manufactures of metal. Meanwhile, exports to major regions showed mixed performance. Shipments to the EU edged up slightly by +6.0%yoy in May-25 (Apr-25: +5.8%yoy), while exports to ASEAN contracted sharply by -10.9%yoy (Apr-25: +18.3%yoy) due to a significant drop in shipments to Singapore, accounting for half of Malaysia's exports to the region. Exports to key markets are expected to continue growing, supported by sustained demand for E&E products. That said, the threat of higher tariffs after the 90-day pause still presents key risk to Malaysia's exports to the US. We also maintain a cautious outlook on near-term demand outlook from China, given the subdued state of domestic demand. On a positive note, if Malaysia secures competitive rates through trade negotiations, it could provide an upside to the country's overall trade performance. Also, efforts to expand bilateral trade and reduce reliance on the US market are expected to help offset some of the tariff-related impact on Malaysia's trade.

Table 2: Malaysia's Exports (YoY%)

	Dec-24	Jan-25	Feb-25	Mar-25	Apr-25	May-25
Total Exports (RM b)	126.3	138.5	122.8	118.2	137.3	126.6
Re-exports (RM b)	28.3	25.3	21.3	27.4	33.5	25.8
Domestic Exports (RM b)	110.2	97.5	96.9	109.9	100.0	100.8
Exports by Key Country / Region						
China	9.6	(3.9)	(8.1)	(1.3)	2.1	(4.3)
US	29.4	28.1	28.9	50.8	45.6	16.1
Japan	(7.5)	(11.2)	(14.3)	(7.9)	6.8	(25.7)
Taiwan	66.7	26.3	6.8	31.0	44.7	41.4
India	26.8	(5.0)	(5.4)	(18.8)	6.1	(11.0)
Hong Kong	33.5	12.3	35.5	25.9	(1.9)	4.6
Australia	33.2	(15.8)	(14.8)	3.8	18.2	1.1
EU	2.5	(2.6)	7.6	9.7	5.8	6.0
ASEAN	16.3	(1.5)	8.2	0.4	18.3	(10.9)
Singapore	44.3	19.7	17.2	9.7	26.1	(18.0)
Thailand	17.6	3.2	14.7	5.0	19.9	15.9
Indonesia	(14.3)	(23.5)	6.8	(21.7)	17.2	(5.9)
Vietnam	(15.9)	(47.4)	(13.5)	(20.1)	9.7	1.8
Philippines	(7.0)	3.8	(10.4)	26.2	(8.3)	(24.2)

Source: Macrobond, MIDFR

E&E exports are still growing, although easing momentum. By sector, manufacturing exports (share: 87% of total exports) fell by -0.3%yoy (Apr-25: +19.0%yoy) from double-digit growth in the previous month. The weakness can be attributable to weaker E&E exports, which grew softer at +7.0%yoy in May-25 (Apr-25: +35.4%yoy), after recording double-digit growth for five consecutive months. This was led by sharp moderation in shipments of semiconductors (+5.9%yoy) and automatic data processing equipment (+21.5%yoy). However, agricultural exports increased by +8.3%yoy in May-25 (Apr-25: +3.5%yoy), with higher palm oil and palm oil-based agricultural products exports of +8.9%yoy (Apr-25: +8.2%yoy). Mining goods recorded a sharper fall of -23.6%yoy during the month (Apr-25: -1.3%yoy), dragged by double-digit decline in exports of LNG (-42.2%yoy) and crude petroleum (-28.9%yoy). Rising oil prices, driven by escalating tensions in the Middle East, are expected to support petroleum-based exports in the near term. If Malaysia succeeds in securing tariffs below 10% for strategic sectors, particularly E&E, it could offer some relief from ongoing external trade challenges. For now, the exemption of Malaysia's semiconductors from broad US tariffs offers some relief to the E&E sector. However, risks remain, as the exemption is reportedly temporary and semiconductor tariffs could still be imposed pending the outcome of an ongoing investigation.

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

	Dec-24	Jan-25	Feb-25	Mar-25	Apr-25	May-25
E&E	27.9	14.9	18.2	25.4	35.4	7.0
Machinery, Equipment & Parts	15.7	6.9	11.3	10.4	31.0	16.4
Optical & Scientific Equipment	4.4	(13.4)	12.7	(2.3)	14.0	(4.5)
Palm oil & palm oil-based products	27.7	10.5	25.5	8.3	8.2	8.9
Crude Petroleum	(12.1)	(11.7)	(64.3)	(43.2)	(8.7)	(28.9)
Petroleum Products	8.0	(34.1)	(11.7)	(32.5)	(9.3)	(28.9)
LNG	(7.4)	(13.3)	(24.5)	(11.0)	6.7	(42.2)
Rubber products	29.8	13.4	8.5	8.7	3.4	(6.6)
Transport equipment	3.8	(8.1)	11.7	(30.3)	31.3	2.2

Source: Macrobond, DOSM, MIDFR

Imports continued to grow but at a slower pace. Imports growth eased to +6.6%yoy in May-25 (Apr-25: +20.0%yoy) after the previous month's double-digit growth. Nonetheless, the value of monthly imports remained relatively high at RM125.9b (Apr-25: RM128.4b). The sustained growth in imports was driven by continued strong growth in capital goods imports, though at a softer pace (+63.7%yoy; Apr-25: +113.9%yoy), supported by purchases of data centre-related equipment. Meanwhile, purchases of intermediate goods dropped further by -4.4%yoy (Apr-25: -1.7%yoy), whereas consumption goods imports fell by -1.1%yoy (Apr-25: -0.4%yoy). By sector, the growth in imports of manufactured goods, accounting 86% of total imports, softened to +8.5%yoy (Apr-25: +24.9%yoy) with a slower rise in inbound shipments for E&E products (+39.4%yoy) and machinery, equipment & parts (+0.6%yoy). Likewise, imports of agriculture goods rose at a slower pace of +7.2%yoy (Apr-25: +10.8%yoy), supported by softer but sustained growth in palm oil-related imports (+26.9%yoy) and higher other agricultural products imports (+8.4%yoy). We expect imports to continue expanding in the near term, supported by front-loading and stockpiling activities ahead of the 90-day tariff pause, which is set to end after the first week of Jul-25.

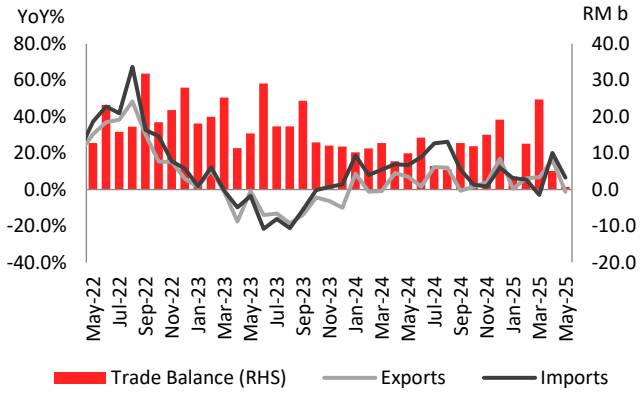
Volume changes remained the key driver of higher exports growth in Apr-25. Based on the latest data as of Apr-25, the surge in exports by +16.4%yoy in Apr-25 (Mar-25: +6.8%yoy) was mainly due to the double-digit export volume growth (+15.6%yoy; Mar-25: +5.4%yoy), mainly for machinery & transport equipment and foods. However, softer volume declines were recorded for beverages and tobacco and crude materials inedible. Export price inflation eased further to +0.7%yoy (Mar-25: +1.3%yoy), although remaining in expansion for five consecutive months. Meanwhile, imports accelerated by +20%yoy (Mar-25: -20.9%yoy), rebounding from the previous month's decline, mainly due to the sharp rise in import volume (+24.5%yoy; Mar-25: -0.5%yoy), led by machinery & transport equipment and miscellaneous transactions & commodities. However, import prices fell further by -3.6%yoy (Mar-25: -2.4%yoy), extending declines for eight consecutive months and reflecting reduced prices for lubricants & related materials, chemicals, and machinery & transport equipment.

The trade surplus narrowed further, hitting 3-decade low. The trade surplus narrowed sharply to +RM0.8b (Apr-25: +RM5.1b), the lowest in 3 decades, mainly attributable to the steep fall in the trade surplus of E&E products. Compared to the previous month, the trade surplus for LNG and E&E products shrank to +RM3.3b (Apr-25: +RM5.6b) and +RM1.9b (Apr-25: +RM4.3b), respectively. Meanwhile, the size of deficit in trade of crude petroleum and processed petroleum products widened to -RM2.1b (Apr-25: -RM0.2b), attributable mainly to the imports of crude petroleum which rose +33.9%mom from Apr-25. In contrast, trade

of palm oil & palm oil-based products recorded higher surplus (May-25: +RM7.3b; Apr-25: +RM6.4b), while optical & scientific products and other manufactured goods recorded sustained surplus of +RM2.2b and +RM2.6b, respectively, during the month. Despite the sharp drop for LNG and E&E, the overall trade balance remained in surplus. While we continue to expect E&E, palm oil and LNG to keep Malaysia's trade balance in surplus, the drag from weakness in mining trade, particularly oil & gas, could continue given the recent increase in oil prices as well as still weak petroleum exports. Meanwhile, sustained rise in imports of capital goods, particularly E&E products and machineries, put a pressure on Malaysia's trade balance in view of the encouraging foreign investments into the country. On that note, the trade surplus could continue to be subdued in the coming months, especially if the exports, driven by front-loading activity, turn out to be weaker than expected, while imports continue to grow sustainably on the back of growing domestic spending and investment activities.

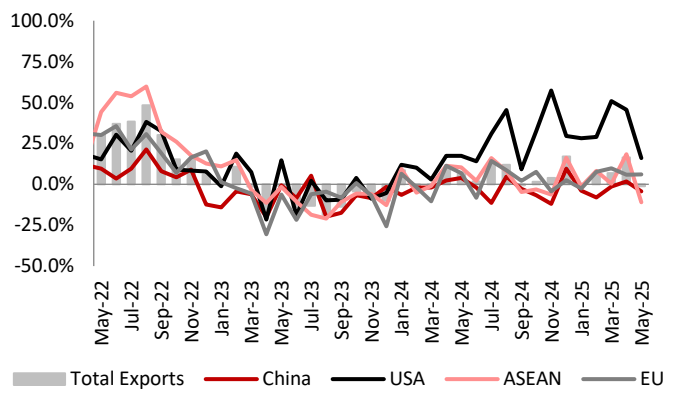
Moderate trade growth projected for 2025. We forecast export growth to moderate to +2.0% in 2025 (2024: +5.7%) and import growth to ease to +4.5% (2024: +13.2%), reflecting a more cautious outlook amid ongoing trade uncertainties. In the near term, the boost to exports from front-loading activities during the 90-day tariff pause may be less pronounced than expected. Although trade tensions between the US and China have eased, the overall trade landscape remains uncertain, with escalating tensions in the Middle East adding another layer of risk. Likewise, the outcome of Malaysia's trade negotiations with the US is still unclear. However, if Malaysia manages to secure tariffs below 10% for strategic sectors, particularly E&E, it could provide an added relief from ongoing external trade challenges. In contrast, the prospect of higher tariffs and potentially weaker demand from key trade partners continue to pose downside risks to Malaysia's trade outlook. Meanwhile, we expect sustained import growth from front-loading activities to temporarily narrow the trade balance. On a positive note, the expansion of bilateral trade and diversification away from reliance on the US market may help cushion the impact of tariffs. As uncertainties surrounding external trade developments persist, we continue to expect resilient domestic consumption will remain the key pillar supporting Malaysia's economic growth.

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



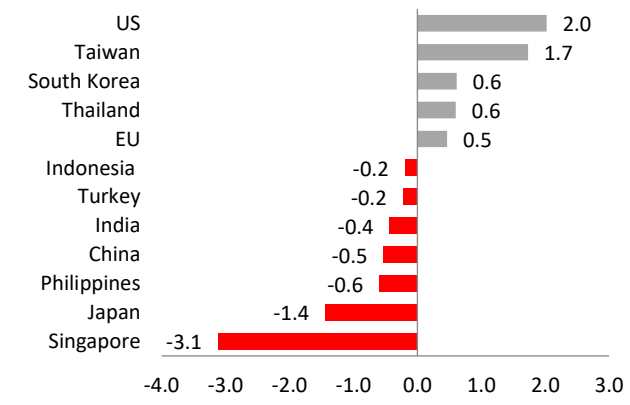
Source: MATRADE, Macrobond, MIDFR

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



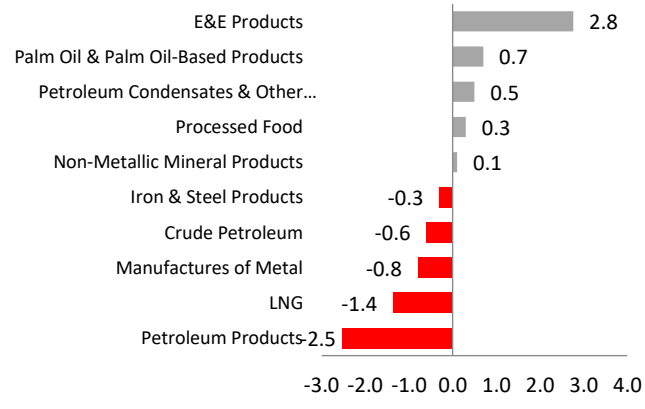
Source: MATRADE, Macrobond, MIDFR

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



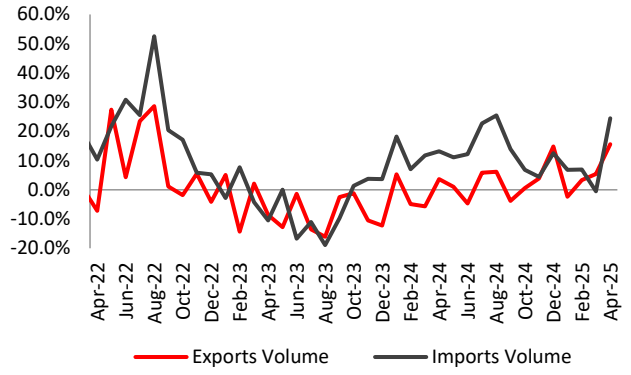
Source: MATRADE, Macrobond, MIDFR

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



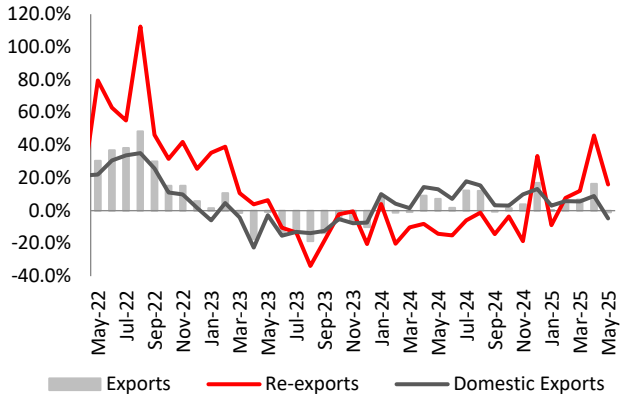
Source: MATRADE, Macrobond, MIDFR

Chart 5: Exports vs Imports Volume (YoY%)



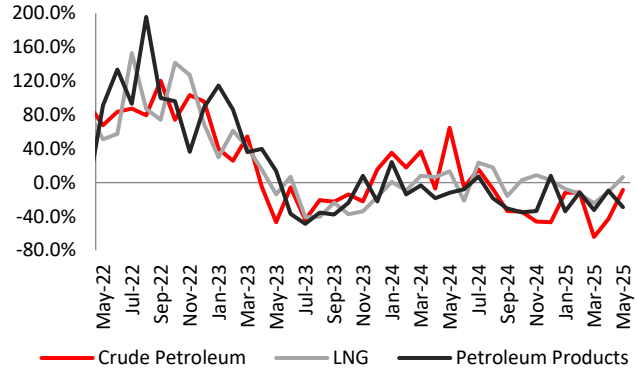
Note: The latest available trade volume data is Apr-25
Source: DOSM, Macrobond, MIDFR

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



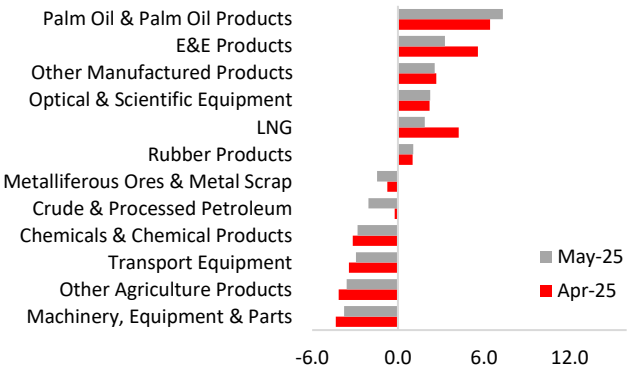
Source: MATRADE, Macrobond, MIDFR

Chart 7: Exports of Mining Goods (YoY%)



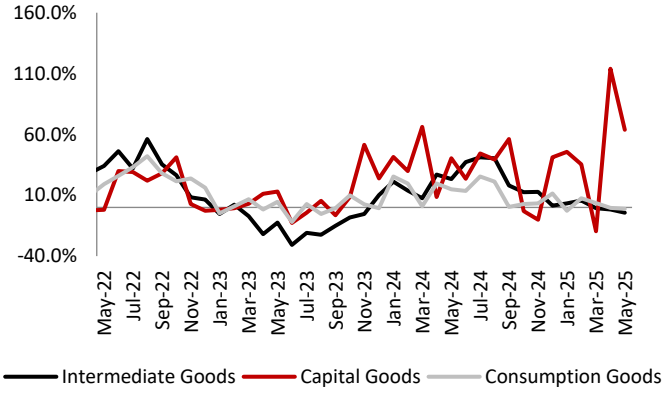
Source: MATRADE, Macrobond, MIDFR

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



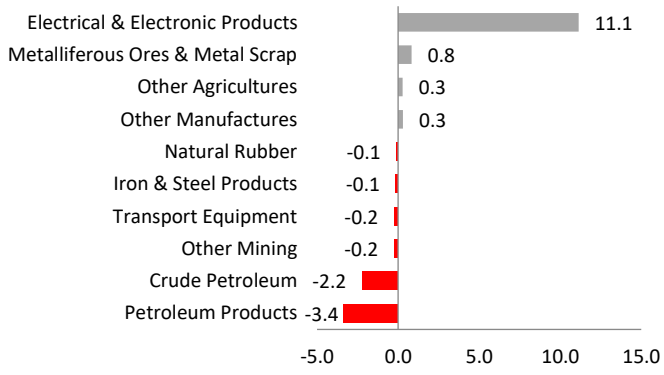
Source: MATRADE, Macrobond, MIDFR

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



Source: MATRADE, Macrobond, MIDFR

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



Source: MATRADE, Macrobond, MIDFR

MIDF RESEARCH is part of MIDF Amanah Investment Bank Berhad

197501002077 (24878-X).

(Bank Pelaburan) (A Participating Organisation of Bursa Malaysia Securities Berhad)

DISCLOSURES AND DISCLAIMER

This report has been prepared by MIDF AMANAH INVESTMENT BANK BERHAD 197501002077 (24878-X).

It is for distribution only under such circumstances as may be permitted by applicable law.

Readers should be fully aware that this report is for information purposes only. The opinions contained in this report are based on information obtained or derived from sources that we believe are reliable. MIDF AMANAH INVESTMENT BANK BERHAD makes no representation or warranty, expressed or implied, as to the accuracy, completeness or reliability of the information contained therein and it should not be relied upon as such.

This report is not, and should not be construed as, an offer to buy or sell any securities or other financial instruments. The analysis contained herein is based on numerous assumptions. Different assumptions could result in materially different results. All opinions and estimates are subject to change without notice. The research analysts will initiate, update and cease coverage solely at the discretion of MIDF AMANAH INVESTMENT BANK BERHAD.

The directors, employees and representatives of MIDF AMANAH INVESTMENT BANK BERHAD may have an interest in any of the securities mentioned and may benefit from the information herein. Members of the MIDF Group and their affiliates may provide services to any company and affiliates of such companies whose securities are mentioned herein This document may not be reproduced, distributed or published in any form or for any purpose.