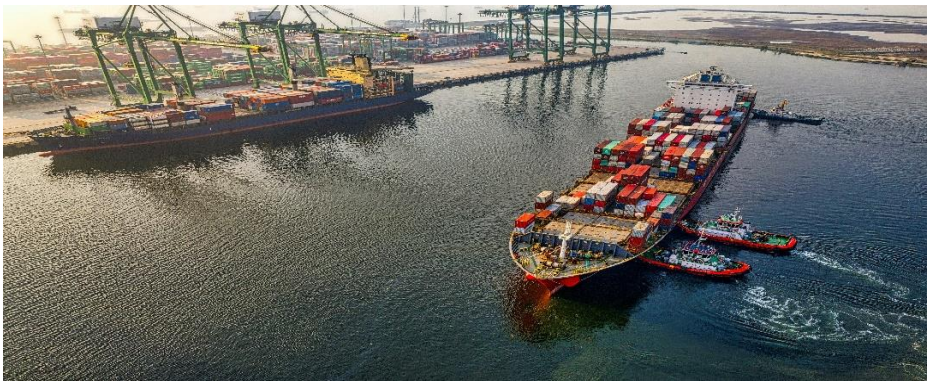
Resilient Trade in 1H2025, Though Exports Decline Sharper in Jun-25 with Continued Drag from Mining Exports

ECONOMIC REVIEW:
Jun-25 External Trade



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Economic Review

- Resilient trade performance in 1H2025, despite weaker export growth in Jun-25. Malaysia's trade performance remained resilient in 1H2025, expanding by +4.8% to RM1.5 trillion, though this marked a slower pace compared to the +8.4% growth recorded in 1H2024. Exports during the period increased by +3.8% (1H2024: +3.9%) to RM7602.b, while imports rose by +5.9% (1H2024: +13.8%) to RM704.7b, resulting in a trade surplus of RM55.5b. Malaysia's total trade fell by -1.2%yoy in Jun-25 (May-25: +2.6%yoy), marking the first decline since Dec-23. The decline stemmed from the steeper fall in exports (-3.5%yoy; May-25: -1.1%yoy), extending decline for two consecutive months.
- Sustained rise in E&E exports but at more moderate pace. By sector, manufacturing exports (share: 87% of total exports) fell steeper by -3.3%yoy (May-25: -0.3%yoy), marking two consecutive months of decline. The weakness stemmed from the slower growth in E&E exports (+1.3%yoy; May-25: -0.3%yoy), recording the lowest reading since Sep-24.
- Imports moderated further. Imports growth slowed to +1.2%yoy in Jun-25 (May-25: +6.6%yoy), the slowest expansion since Mar-25. The growth was supported by sustained double-digit growth in capital goods imports, though at a slower pace (+21.8%yoy; May-25: +63.2%yoy).
- 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. Ahead of the Aug-25 tariff deadline, export growth may pick up due to front-loading activities, though the boost could be limited.

Resilient trade performance in 1H2025, despite weaker export growth in Jun-25. Malaysia's trade performance remained resilient in 1H2025, expanding by +4.8% to RM1.5 trillion, though this marked a slower pace compared to the +8.4% growth recorded in 1H2024. Exports during the period increased by +3.8% (1H2024: +3.9%) to RM7602.b, while imports rose by +5.9% (1H2024: +13.8%) to RM704.7b, resulting in a trade surplus of RM55.5b. Malaysia's total trade fell by -1.2%yoy in Jun-25 (May-25: +2.6%yoy), marking the first decline since Dec-23. The decline stemmed from the steeper fall in exports (-3.5%yoy; May-25: -1.1%yoy), an extending decline for two consecutive months. Outbound shipments for E&E products hit an eight-month low (+1.3%yoy; May-25: +7.0%yoy), while petroleum products extended double-digit decline (-28.1%yoy; May-25: -28.9%yoy). In contrast, palm oil rose double-digits by +18.5%yoy (Apr-25: +8.9%yoy). Re-exports growth softened to +3.4%yoy (May-25: +16.1%yoy), while domestic exports contracted slightly sharper by -5.2%yoy (May-25: -4.7%yoy). Meanwhile, import growth eased further to +1.2%yoy in Jun-25 (May-25: +6.6%yoy), marking two consecutive months of slowdown. The moderation reflected mainly the softer imports of manufactured goods such as E&E (+10.5%yoy; May-25: +39.4%yoy) and sharper fall in imports of petroleum products (-22.5%yoy; May-25: -12.0%yoy). On a month-on-month basis, exports fell relatively softly by -3.9% mom (May-25: -5.2% mom), while imports recorded a sharper drop by -10.1% mom (May-25: -2.0% mom). This led to a wider trade surplus of +RM8.6b (May-25: +RM0.8b), recovering from the previous month's three-decade low.

Table 1: Malaysia's External Trade Summary

	Jan-25	Feb-25	Mar-25	Apr-25	May-25	Jun-25	1H2025	1H2024
Exports (RM b)	**122.8**	**118.2**	**137.3**	**133.5**	**126.6**	**121.7**	**760.2**	**732.1**
YoY%	0.3	6.2	6.8	16.4	(1.1)	(3.5)	3.8	3.9

MoM%	(11.3)	(3.7)	16.1	(2.8)	(5.2)	(3.9)		
Imports	**119.2**	**105.6**	**112.5**	**128.4**	**125.9**	**113.1**	**70.5**	**66.5**
YoY%	6.2	5.5	(2.9)	20.0	6.6	1.2	5.9	13.8
MoM%	(0.2)	(11.4)	6.5	14.1	(2.0)	(10.1)		
Total Trade	**242.0**	**223.9**	**249.8**	**261.9**	**252.5**	**234.9**	**146.5**	**139.7**
YoY%	3.1	5.9	2.2	18.1	2.6	(1.2)	4.8	8.4
MoM%	(6.1)	(7.5)	11.6	4.8	(3.6)	(7.0)		
Trade Balance	**3.7**	**12.6**	**24.7**	**5.1**	**0.8**	**8.6**	**55.6**	**67.0**
Imports								
Intermediate (RM b)	**60.8**	**58.7**	**58.9**	**58.2**	**65.2**	**60.1**	**361.8**	**362.1**
% YoY	3.4	5.7	(0.6)	(1.7)	(4.3)	(1.2)	0.0	21.2
Capital (RM b)	**19.9**	**13.8**	**13.0**	**23.5**	**22.7**	**14.6**	**107.6**	**77.0**
% YoY	45.6	35.3	(19.4)	113.9	63.2	21.8	39.8	35
Consumption (RM b)	**10.1**	**9.1**	**9.7**	**9.7**	**10.1**	**9.4**	**58.1**	**57.3**
% YoY	(2.6)	7.6	3.7	(0.4)	(0.8)	1.6	1.3	15.2

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

Demand from US muted, while exports to China plummeted. By destination, exports to Singapore and China (share: 26.1% of total exports) declined by -16.9%yoy and -9.3%yoy, respectively, attributable to continued weak demand for E&E products. For exports to China, the decline was also dragged by slightly sharper contraction in chemical & chemical products and LNG. In contrast, exports to the US continued to increase but the growth moderated sharply to +4.7%yoy in Jun-25 (May-25: +16.1%yoy), after recording double-digit growth over the past 8 months due to softer rise in exports of E&E products and other manufactured goods. Meanwhile, exports to Taiwan also moderated (+14.2%yoy; May-25: +41.4%yoy) but continued to register double-digit growth for the fourth consecutive month, supported by sustained demand for E&E products and optical & scientific equipment. On the other hand, exports to major regions posted a mixed performance. Shipments to the EU moderated to +4.6%yoy in Jun-25 (May-25: +6.0%yoy), while exports to ASEAN declined sharply by -13.8%yoy (May-25: -11.0%yoy), primarily due to a significant drop in outbound shipments to Singapore, which accounts for half of Malaysia's exports to the region.

Exports to key markets hit crossroads. Going forward, we foresee exports to key markets will record sustained growth, supported by steady demand for E&E products. That said, the recently imposed 25% tariff on Malaysia poses a significant threat to the country's exports to the US. Meanwhile, China's subdued domestic demand continues to cloud the trade outlook, with Malaysian exports to China declining consistently since the start of the year, except for a brief rebound in April-25. As Malaysia's negotiations with the US continue ahead of the looming Aug-25 deadline, a favourable outcome, such as a more competitive tariff rate relative to regional peers, could provide a boost to Malaysia's trade performance and attract more investments. At the same time, ongoing efforts to expand bilateral trade ties and diversify export markets are expected to help mitigate some of the adverse impacts of the tariff measures.

Table 2: Malaysia's Exports (YoY%)

	Jan-25	Feb-25	Mar-25	Apr-25	May-25	Jun-25
Total Exports (RM b)	138.5	122.8	118.2	137.3	126.6	121.7
Re-exports (RM b)	25.3	21.3	27.4	33.5	25.8	26.4
Domestic Exports (RM b)	97.5	96.9	109.9	100.0	100.8	95.3
Exports by Key Country / Region						
China	(3.9)	(8.1)	(1.3)	2.1	(4.3)	(9.3)
US	28.1	28.9	50.8	45.6	16.1	4.7
Japan	(11.2)	(14.3)	(7.9)	6.8	(25.8)	(1.6)
Taiwan	26.3	6.8	31.0	44.7	41.4	14.2
India	(5.0)	(5.4)	(18.8)	6.1	(10.9)	4.4
Hong Kong	12.3	35.5	25.9	(1.9)	4.6	1.9
Australia	(15.8)	(14.8)	3.8	18.2	1.2	(7.5)
EU	(2.6)	7.6	9.7	5.8	6.0	4.6
ASEAN	(1.5)	8.2	0.4	18.3	(11.0)	(13.8)
Singapore	19.7	17.2	9.7	26.1	(18.0)	(16.9)
Thailand	3.2	14.7	5.0	19.9	15.9	(12.3)

Indonesia	(23.5)	6.8	(21.7)	17.2	(6.0)	(6.4)
Vietnam	(47.4)	(13.5)	(20.1)	9.7	1.8	(6.9)
Philippines	3.8	(10.4)	26.2	(8.3)	(24.2)	(2.6)

Source: Macrobond, MIDFR

Sustained rise in E&E exports but at a more moderate pace. By sector, manufacturing exports (share: 87% of total exports) fell steeper by -3.3%yoy (May-25: -0.3%yoy), marking two consecutive months of decline. The weakness stemmed from the slower growth in E&E exports (+1.3%yoy; May-25: -0.3%yoy), recording the lowest reading since Sep-24. This can be attributable to the sharp moderation in shipments of semiconductors (+1.2%yoy) and the decline in exports of automatic data processing equipment (-9.3%yoy). Mining goods fell slightly steeper by -28.7%yoy during the month (May-25: -23.6%yoy), dragged by continued double-digit decline in exports of LNG (-26.5%yoy) and crude petroleum (-42.7%yoy) due to the effects of lower oil prices and maintenance works). In contrast, exports of agricultural goods rose robustly by +17.5%yoy (May-25: +8.3%yoy), particularly driven by higher exports of palm oil & palm oil-based agricultural products (+24.7%yoy; May-25: +8.3%yoy). For now, the exemption of Malaysian semiconductors from broad US tariffs provides temporary relief for the E&E sector. However, risks persist, as the exemption is reportedly provisional and semiconductor tariffs may still be imposed, depending on the outcome of the ongoing investigation.

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

	Jan-25	Feb-25	Mar-25	Apr-25	May-25	Jun-25
E&E	14.9	18.2	25.4	35.4	7.1	1.3
Machinery, Equipment & Parts	6.9	11.3	10.4	31.0	15.4	16.2
Optical & Scientific Equipment	(13.4)	12.7	(2.3)	14.0	(4.6)	1.3
Palm oil & palm oil-based products	10.5	25.5	8.3	8.2	8.9	18.5
Crude Petroleum	(11.7)	(64.3)	(43.2)	(8.7)	(28.5)	(42.7)
Petroleum Products	(34.1)	(11.7)	(32.5)	(9.3)	(28.6)	(28.1)
LNG	(13.3)	(24.5)	(11.0)	6.7	(42.2)	(26.5)
Rubber products	13.4	8.5	8.7	3.4	(6.6)	(20.6)
Transport equipment	(8.1)	11.7	(30.3)	31.3	3.9	2.5

Source: Macrobond, DOSM, MIDFR

Imports moderated further. Imports growth slowed to +1.2%yoy in Jun-25 (May-25: +6.6%yoy), the slowest expansion since Mar-25. The growth was supported by sustained double-digit growth in capital goods imports, though at a slower pace (+21.8%yoy; May-25: +63.2%yoy). Meanwhile, purchases of intermediate goods recorded a softer decline by -1.2%yoy (May-25: -4.3%yoy), whereas consumption goods imports rebounded to +1.6%yoy (May-25: -0.8%yoy) after two months of contraction. By sector, the growth in imports of manufactured goods (share: 85% of total imports) softened to +3.6%yoy (May-25: +8.5%yoy) with a moderation in inbound shipments for E&E products (+10.5%yoy) and the sharp decline in petroleum products (-22.5%yoy) Likewise, imports of agriculture goods softened to +3.5%yoy (May-25: +7.2%yoy), though steady growth was supported by the surge in palm oil & palm oil-related imports (+42.7%yoy). Looking ahead, we anticipate sustained import growth in the near term, driven by front-loading and stockpiling activities ahead of the Aug-25 deadline. On another note, we believe the materialization of investment in Malaysia, in addition to re-exports, will also support imports of capital goods in the coming months.

A sharper drop in prices contributed to the exports decline in May-25. Based on the latest data as of May-25, the fall in exports by -1.1%yoy in May-25 (Apr-25: +16.4%yoy) was primarily weighed down by the decline in prices (-1.5%yoy; Apr-25: +0.7%yoy), mainly for mineral fuels, manufactured goods, and machinery & transport equipment. Nonetheless, inflation was recorded for transactions & commodities, food, and beverages & tobacco. Export volume continued to grow albeit moderately to +0.4%yoy (Apr-25: +15.5%yoy). Meanwhile, imports growth moderated to +6.6%yoy (Apr-25: +20.0%yoy), underpinned by the sustained double-digit rise in import volume (+11.8%yoy; Apr-25: +24.5%yoy), led by machinery & transport equipment and crude material inedible. Nonetheless, import prices fell sharper by -4.7%yoy (Apr-25: -3.6%yoy), deflating for the 9th straight month as a result of falling import prices for lubricants & related materials, chemicals, and machinery & transport equipment.

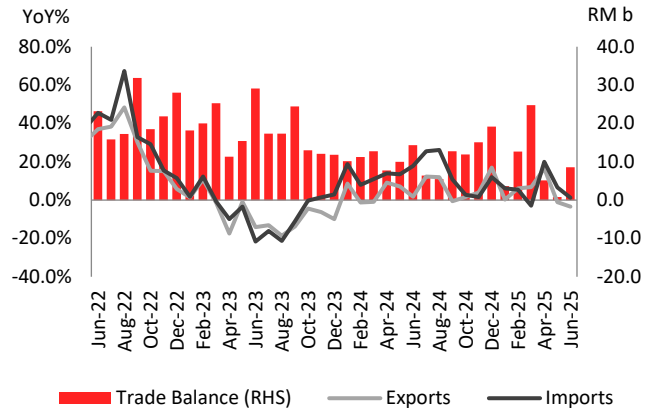
Trade surplus widened to +RM8.6b. Trade surplus widened back to +8.6b in Jun-25 (May-25: +RM0.8b), particularly due to the sharper monthly decline in imports (-10.1%mom) vis-à-vis exports (-3.9%mom). By sector, wider surpluses were recorded in trade of E&E (+RM14.1b; May-25: +RM3.3b) and LNG (+RM2.8b; May-25: +RM1.9b), while the deficits shrank for transport equipment (-RM2.6b; May-25: -RM3.0b) and other agriculture goods (-RM3.1b; May-25: -RM3.6b). E&E, palm oil and LNG remained the 3 major products that contributed to the overall trade surplus in Jun-25. We noticed that the jump in E&E trade surplus more than offset the wider deficits in various products such as machinery, equipment & parts (-RM4.1b; May-25: -

RM3.7b), crude & processed petroleum products (-RM3.3b; May-25: -RM2.0b), and chemicals & chemical products (-RM3.3b; May-25: -RM2.8b). We expect the increased E&E exports, be it driven by front-loading shipments, will ensure Malaysia's trade balance to remain in surplus. However, we foresee the continued weakness in trade of the mining sector (i.e. oil & gas) could limit the size of the trade surplus, including the sustained rise in imports, particularly capital goods.

Malaysia's trade position under scrutiny. Overall, the sluggish performance in Jun-25 continues to reflect weaker front-loading activities, possibly indicating that firms remain cautious amid an uncertain trade environment and heightened geopolitical tensions. Meanwhile, we foresee sustained import growth in the near term as companies continue stockpiling ahead of the looming Aug-25 deadline. Malaysia is currently subject to a 25% tariff, which, while more favorable than many countries, is still higher than the rates imposed on Vietnam (20%) and Indonesia (19%). This poses a potential risk to Malaysia's regional export competitiveness. Nonetheless, with MITI confirming that negotiations with the US are still ongoing, there remains a possibility for Malaysia to secure a more favorable rate, thereby improving its relative position in the region. Trump's recent announcement of a lower tariff rate of around 10% to 15% for smaller countries may be viewed in a relatively positive light, especially considering that the earlier proposal in Apr-25 involved significantly higher rates that risked disrupting the entire global trade landscape. On one hand, this development offers a glimmer of hope that Malaysia's tariff rate could be adjusted downward. On the other hand, however, it also poses a risk, if Malaysia's current rate remains unchanged while neighboring competitors benefit from the reduced rates, this could further erode Malaysia's competitive position in regional trade.

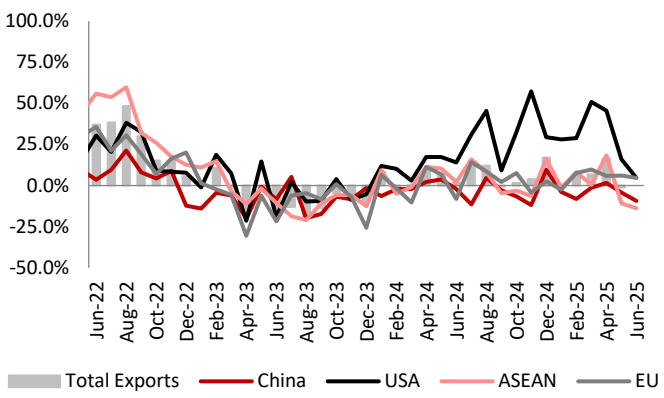
Moderate trade growth projected for 2025. We forecast export growth to moderate to +2.0% in 2025 (2024: +5.7%) and import growth to ease to +4.5% (2024: +13.2%), reflecting a more cautious outlook amid ongoing trade uncertainties. Ahead of the Aug-25 tariff deadline, export growth may pick up due to front-loading activities, though the boost could be limited. Despite some easing in US-China trade tensions, global trade conditions remain uncertain. Malaysia's 25% tariff, while under negotiation, is higher than Indonesia and Vietnam, posing a risk to competitiveness in terms of exports to the US. A more favorable outcome from the ongoing trade negotiation could help preserve Malaysia's competitive position. Softer demand from key partners, however, continues to pose downside risks to Malaysia's trade outlook, while sustained import growth may narrow the trade balance temporarily in the near term. In particular, continued weakness in the mining exports will remain a drag to overall exports, in contrast to the increased exports of E&E and palm oil. Ongoing efforts to diversify export markets and strengthen bilateral trade ties are expected to cushion tariff impacts on trade with the US. Given the ongoing external uncertainties, we expect Malaysia's growth will continue to be supported by resilient domestic consumption.

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



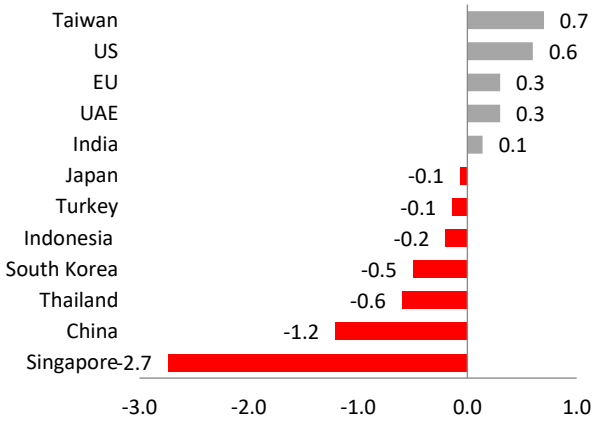
Source: MATRADE, Macrobond, MIDFR

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



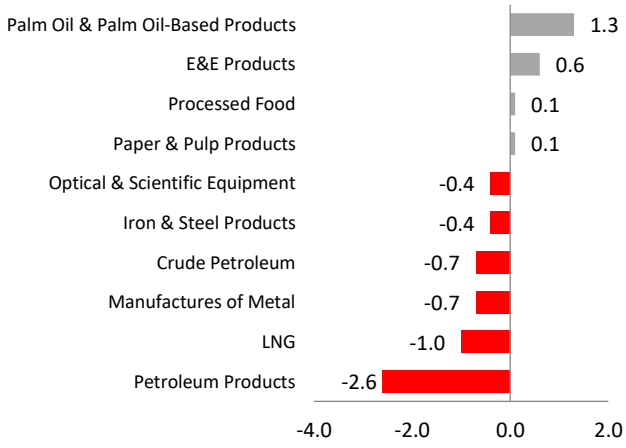
Source: MATRADE, Macrobond, MIDFR

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



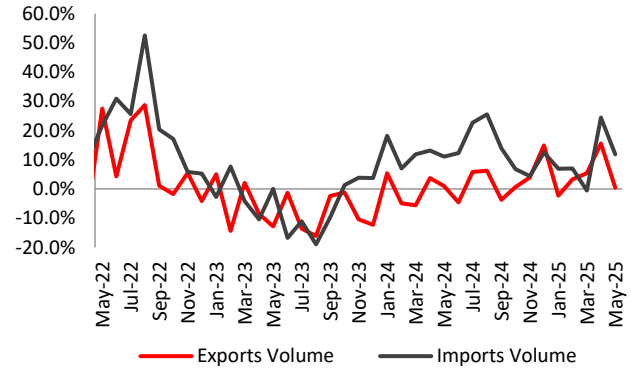
Source: MATRADE, Macrobond, MIDFR

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



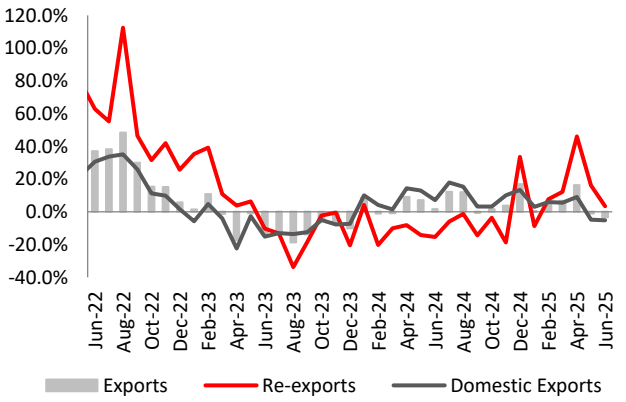
Source: MATRADE, Macrobond, MIDFR

Chart 5: Exports vs Imports Volume (YoY%)



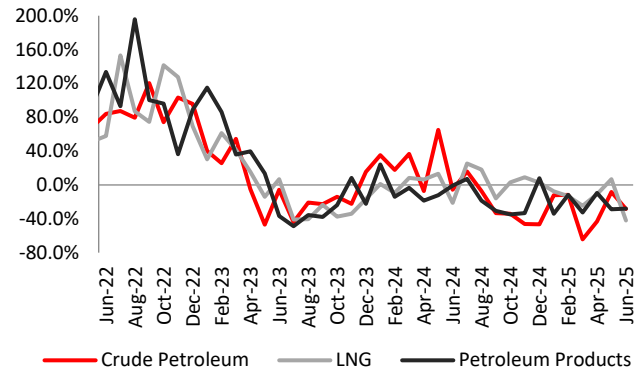
Note: The latest available trade volume data is May-25
Source: DOSM, Macrobond, MBSBR

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



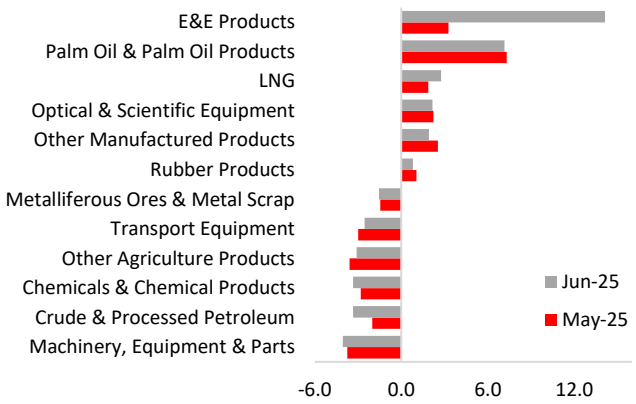
Source: MATRADE, Macrobond, MBSBR

Chart 7: Exports of Mining Goods (YoY%)



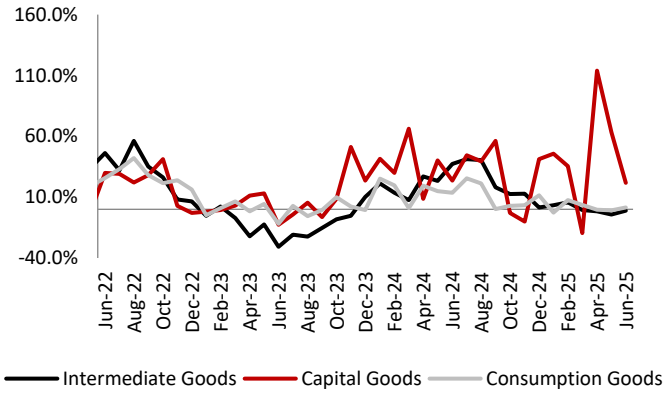
Source: MATRADE, Macrobond, MBSBR

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



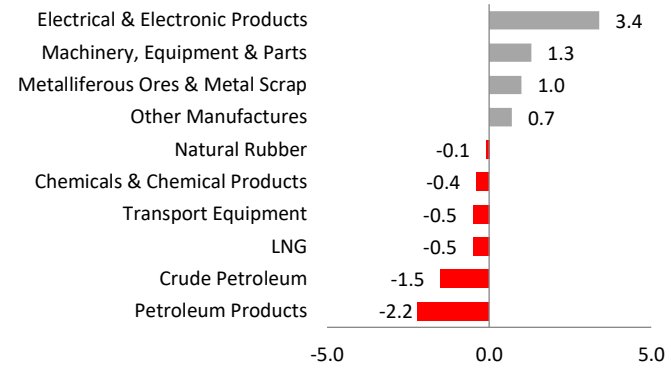
Source: MATRADE, Macrobond, MBSBR

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



Source: MATRADE, Macrobond, MBSBR

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



Source: MATRADE, Macrobond, MBSBR

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