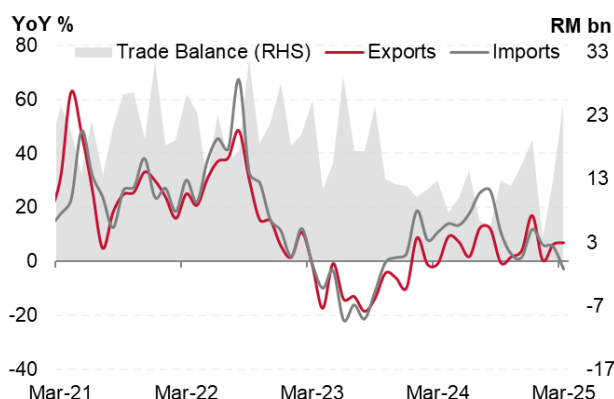


Malaysia External Trade

Exports hold firm in March on strong E&E; trade surplus hits 21-month high

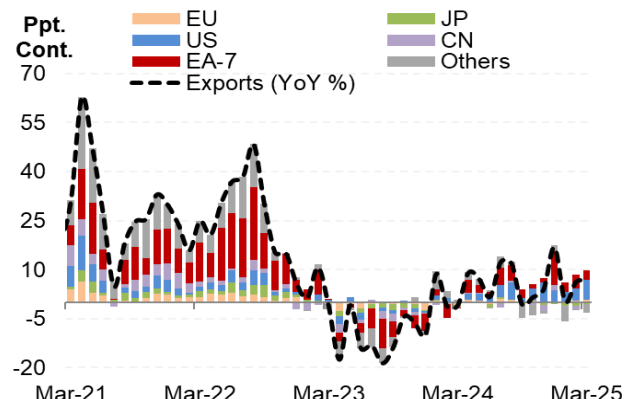
- **Exports expanded 6.8% (Feb: 6.2%), slightly above house forecast of 6.4%, and far beating consensus of 2.6%**
 - MoM (16.1%; Feb: -3.7%): rebounded sharply, highest since Jun-22 (19.6%), after two straight months of decline.
- **Growth was driven by strong exports to the US, EU, and high demand for E&E and palm oil-based products**
 - **By destination:** shipments to the US accelerated (50.8%; Feb: 28.9%), and exports to the EU expanded (10.6%; Feb: 7.6%), marking the second straight month of expansion. However, shipments to China (-1.3%; Feb: -8.1%), and Japan (-7.9%; Feb: -11.2%) remained weak, though the rate of contraction eased. Exports to Singapore slowed (9.7%; Feb: 17.2%) for a third straight month.
 - **By sector:** manufacturing remained strong (8.9%; Feb: 8.8%), but the momentum was partially capped by weak mining (-16.6%; Feb: -33.0%) and a sharply slower growth in agriculture (5.4%; Feb: 27.3%) exports.
 - **By major product:** exports of electrical & electronic products (E&E) (25.1%; Feb: 18.2%), and palm oil and palm-based products (19.2%; Feb: 14.7%) accelerated, boosting overall export expansion.
- **Imports fell (-2.8%; Feb: 5.5%), lowest since Sep-23, and missing expectations (KIBB: 3.1%; consensus: 1.4%)**
 - **Reason:** weak retained imports (-6.8%; Feb: 5.0%) but partially mitigated by higher re-exports (12.1%; Feb: -7.7%).
 - **By category:** a broad-based slowdown, led by a sharp decline in capital goods (-19.2%; Feb: 35.3%), following a strong import in the previous month. Intermediate goods (-0.6%; Feb: 5.7%) slipped, hitting a 16-month low, while consumption goods (3.6%; Feb: 7.6%) moderated.
 - MoM (6.6%; Feb: -11.4%): rebounded sharply, possibly an indication of front-loading activities ahead of President Trump’s sweeping tariffs announcements.
- **Trade surplus widened to RM24.7b (Feb: RM12.6b), a 21-month high, beating forecasts (KIBB: RM17.3b; consensus: RM14.4b)**
 - Meanwhile, total trade slowed to 2.2% YoY (Feb: 5.9%), while MoM growth rebounded 11.6% (Feb: -7.5%).
- **We maintain our 2025 exports forecast at 5.0% (2024: 5.7%) for now, despite rising external headwinds**
 - **Drivers:** March data aligns with our view of frontloading activity ahead of Trump’s reciprocal tariff in April. With a 90-day pause now in effect, we expect a surge in 2Q25 exports as businesses accelerate shipments to avoid potential tariffs. The ongoing global tech upcycle, driven by AI-related demand, and potential trade diversion as the US decouples from China also provides support. While momentum may not last all year, strong 1H25 exports should help anchor the overall growth forecast, if signs of slowdown emerge in 2H25.
 - **Key markets:** Demand from the US remains strong, with its share of total exports now accounts for 16.5% of Malaysia’s exports (Feb: 14.8%), its highest since March 2007 (16.6%), surpassing Singapore (15.4%; Feb: 15.5%) and China (11.7%; Feb: 11.1%), indicating a shift in Malaysia’s export focus towards the US. Recovery in China and the EU could add upside, aided by ongoing fiscal stimulus and monetary easing.
 - **Risks:** Impact of Trump’s tariff and its consequences on the US and global economies remain a key drag particularly if tariffs deepen or spill into broader sectors. A slower recovery in China or a sharp US economic slowdown could weigh on global demand and trade flows.
 - **GDP Outlook:** We maintain our 2025 GDP growth forecast at 4.8% (2024: 5.1%) for now, as we expect frontloading activity in 2Q25 to boost external growth. There is also an upside to 1Q25, which could exceed DOSM’s advance estimate of 4.4% (KIBB: 4.9%). However, external headwinds may intensify in 2H25. Domestic demand, supported by public and private spending, should help cushion the impact.

Graph 1: External Trade Growth



Source: Dept. of Statistics, Kenanga Research

Graph 2: Exports by Destination



Source: Dept. of Statistics, Kenanga Research

21 April 2025

Table 1: Malaysia External Trade Growth Trend

		2021	2022	2023	2024	Mar-24	Oct-24	Nov-24	Dec-24	Jan-25	Feb-25	Mar-25
Total Trade	%YoY	24.9	27.6	-7.3	9.1	4.4	2.1	2.8	14.5	3.1	5.9	2.2
Trade Balance	RM bil	253.7	256.2	215.2	136.8	12.7	11.9	15.1	19.1	3.7	12.6	24.7
Exports	%YoY	26.1	24.9	-8.0	5.7	-0.9	1.6	3.9	16.9	0.3	6.2	6.8
	%MoM					15.5	3.7	-1.4	9.6	-11.3	-3.7	16.1
Manufacturing	%YoY	25.7	22.4	-6.9	5.9	0.6	1.9	5.0	18.5	0.5	8.8	8.9
	Shr	86.1	84.2	85.3	85.5	85.2	85.5	85.0	84.6	84.8	85.7	86.9
Agriculture	%YoY	36.8	23.3	-21.8	11.7	-17.4	8.9	13.2	28.9	10.9	27.3	5.4
	Shr	7.9	7.8	6.6	7.0	6.0	7.6	7.5	7.7	7.4	7.3	6.0
Mining	%YoY	20.6	67.0	-10.0	-2.6	0.3	-12.2	-17.3	-5.1	-12.3	-33.0	-16.6
	Shr	5.7	7.6	7.4	6.8	8.1	6.0	6.6	7.1	6.9	6.1	6.4
Others	%YoY	11.4	51.5	26.8	15.3	11.6	63.5	-9.8	-24.6	26.9	3.3	1.9
	Shr	0.4	0.5	0.6	0.7	0.6	0.9	0.9	0.6	0.8	0.9	0.8
Imports	%YoY	23.3	31.0	-6.4	13.2	10.9	2.7	1.6	11.9	6.2	5.5	-2.8
	%MoM					15.7	4.9	-4.3	7.3	-0.2	-11.4	6.6
Capital	%YoY	14.4	15.8	7.1	29.6	66.3	-3.1	-10.1	41.3	45.6	35.3	-19.2
	Shr	10.5	9.3	10.6	12.2	14.0	10.6	11.9	14.5	16.7	13.1	11.6
Intermediate	%YoY	27.2	29.5	-12.2	20.7	7.6	12.6	12.7	1.5	3.4	5.7	-0.6
	Shr	55.3	54.6	51.2	54.6	51.2	54.0	56.9	51.1	51.0	55.6	52.4
Consumption	%YoY	13.2	24.0	0.1	12.8	1.0	2.9	3.3	11.5	-2.6	7.6	3.6
	Shr	8.5	8.0	8.6	8.6	8.1	8.3	9.0	8.6	8.4	8.6	8.6

*Shr = share to total exports or imports.

Source: Dept. of Statistics preliminary release, Kenanga Research

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