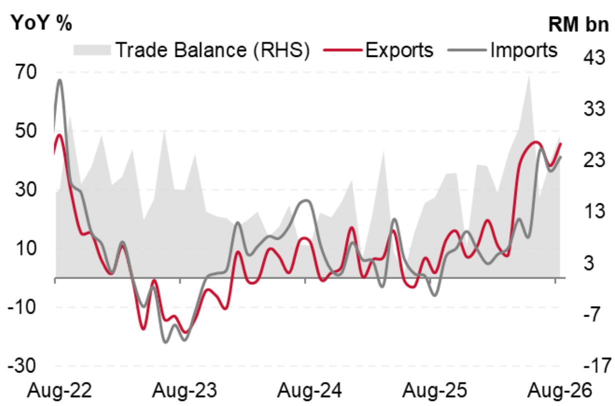
Malaysia External Trade (Aug-26)

Exports surge on strong chip demand; trade bet holds despite seasonal pullback

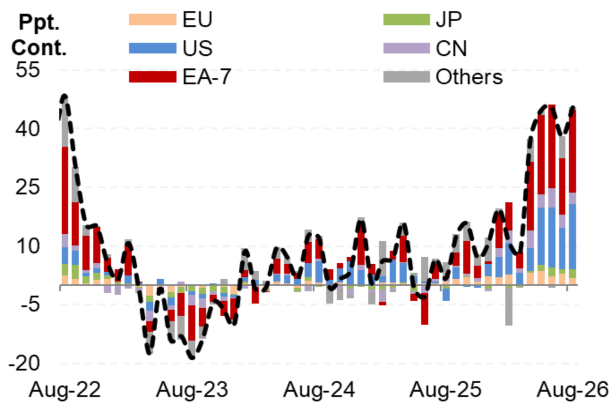
- **Export growth re-accelerated to 45.5% in August (Jul: 38.0%), marginally outpacing June's 45.4% growth, and beating consensus (38.0%) and our own estimate (44.4%)**
  - MoM (-1.3%; Jul: 8.8%): Contracted, reflecting a typical seasonal correction following July's rebound.
- **E&E exports and US demand were the key drivers**
  - **By sector:** Manufacturing exports strengthened to 50.4% (Jul: 42.6%), and mining accelerated sharply to 43.3% (Jul: 9.6%), offsetting a steep 21.4% drop in agriculture exports (Jul: 4.8%).
  - **By major product:** Electrical & Electronic (E&E) exports, the main growth engine surged to a four-month high of 66.5% (Jul: 51.0%), maintained momentum despite their total export share narrowing slightly to 48.4% (Jul: 49.4%). Commodity-linked exports were mixed and remained volatile. Liquefied natural gas (LNG) surged (51.8%; Jul: 14.1%), while crude petroleum remained in contraction (-19.3%; Jul: -79.4%), and palm oil & palm-based products contracted sharply (-25.0%; Jul: 7.7%).
  - **By destination:** Shipment to the US jumped to a record high (139.1%; Jul: 81.5%), followed by Singapore (61.5%; Jul: 17.9%), while China (22.9%; Jul: 31.2%) and the EU (20.0%; Jul: 37.0%) moderated. Within East Asia, export growth remained robust, led by Taiwan (105.2%; Jul: 97.5%), Hong Kong (79.7%; Jul: 59.2%), Japan (55.6%; Jul: 23.5%) and South Korea (9.4%; Jul: -3.2%).
- **Imports rose 41.1% YoY (Jul: 36.3%), beating consensus (33.3%) but slightly below our estimate of 41.8%**
  - Both re-export (43.3%; Jul: 41.1%) and retained imports (40.4%; Jul: 34.3%) expanded.
  - **By end use:** Driven by strong intermediate goods, hitting a four-year high (50.5%; Jul: 40.8%), signalling robust production momentum, while capital goods imports jumped 37.4% (Jul: 23.8%), reflecting continued investment activity. However, consumption goods lagged at -1.6% (Jul: 5.2%).
  - **By major product:** Imports were supported mainly by a sharp increase in E&E imports (89.3%; Jul: 58.3%) and a strong rebound in crude petroleum imports (87.0%; Jul: -44.4%).
  - MoM (-4.7%; Jul: 5.5%): Fell to a three-month low, consistent with the seasonal pullback.
- **Trade surplus widened to RM28.1b (Jul: RM22.5b), beating expectations (consensus: RM25.3b; KIBB: RM25.9b)**
  - **Total trade** growth accelerated to 43.4% YoY (Jul: 37.2%), though MoM contracted (-2.9%; Jul: 7.2%).
- **Outlook: Upside revision, but downside risks mounting**
  - **Forecast:** We've raised our 2026 export forecast to 28.5% (2025: 6.6%) from 19.0%, with exports value on track to exceed RM2.0 trillion mark this year. Year-to-date growth expanded to 31.2% YoY (Jan-Jul: 29.2%), reflecting a continued strength in external demand through 3Q26. Sustained E&E demand from AI-driven technology investment and new product launches supports this revision, even as we expect export growth to slow in 2H26 as favourable base effects fade.
  - **Risks:** While near-term export momentum remains favourable, downside risks are real. These include renewed uncertainty surrounding US trade policies, potentially weaker global growth amid higher energy prices and a restrictive monetary environment, ongoing geopolitical tensions, a possible electronics demand cliff post AI-driven investment cycle, and persistent commodity volatility.
  - **GDP Outlook:** We maintain our 2026 GDP growth forecast of 5.3% (2025: 5.2%). Strong external trade and expanding trade-related activities should provide support to domestic economic activity and offset lingering global headwinds. Continued momentum could push 2H26 results, and full-year GDP, above forecast.

Graph 1: External Trade Growth



Source: Dept. of Statistics, Kenanga Research

Graph 2: Exports by Destination



Source: Dept. of Statistics, Kenanga Research

Table 1: Malaysia External Trade Growth Trend

		2022	2023	2024	2025	Aug-25	Mar-26	Apr-26	May-26	Jun-26	Jul-26	Aug-26
Total Trade	%YoY	27.6	-7.3	9.2	-7.2	-2.0	9.0	28.8	29.6	44.3	37.2	43.4
Trade Balance	**RM bil**	**256.2**	**215.2**	**139.1**	**156.8**	**15.9**	**24.5**	**29.2**	**39.9**	**15.8**	**22.5**	**28.1**
Exports	**%YoY**	**24.9**	**-8.0**	**5.8**	**6.6**	**1.7**	**8.0**	**37.3**	**44.7**	**45.5**	**38.0**	**45.5**
	%MoM					-6.3	13.6	23.2	0.3	-3.2	8.8	-1.3
Manufacturing	%YoY	22.4	-6.9	5.9	7.8	1.5	9.6	40.5	51.6	47.4	42.6	50.4
	Shr	84.2	85.3	85.4	86.4	86.5	87.9	88.8	90.7	88.4	89.9	89.5
Agriculture	%YoY	23.3	-21.8	11.7	5.8	4.4	-7.8	4.7	-23.0	-7.3	4.8	-21.4
	Shr	7.8	6.6	7.0	7.0	7.3	5.1	4.8	4.1	4.7	4.9	3.9
Mining	%YoY	67.0	-10.0	-2.0	-10.8	-2.9	0.5	25.0	36.4	97.1	9.6	43.3
	Shr	7.6	7.4	6.9	5.7	5.4	5.9	5.5	4.4	6.2	4.6	5.3
Others	%YoY	51.5	26.8	15.4	38.0	0.6	19.4	-6.1	-1.0	-15.2	-5.3	99.0
	Shr	0.5	0.6	0.7	0.9	0.8	1.1	0.9	0.8	0.7	0.6	1.3
Imports	**%YoY**	**31.0**	**-6.4**	**13.1**	**6.0**	**-5.9**	**10.3**	**20.0**	**14.4**	**43.1**	**36.3**	**41.1**
	%MoM					-8.0	8.8	23.9	-6.5	12.6	5.5	-4.7
Capital	%YoY	15.8	7.1	29.0	29.0	10.9	24.2	-20.8	-18.0	61.9	23.8	37.4
	Shr	9.3	10.6	12.1	14.8	13.6	13.0	12.1	12.9	14.4	13.1	13.3
Intermediate	%YoY	29.5	-12.2	20.0	-3.5	-16.7	-0.7	-18.9	15.1	41.2	40.8	50.5
	Shr	54.6	51.2	54.4	49.5	52.2	47.1	30.7	52.1	52.6	46.8	55.6
Consumption	%YoY	24.0	0.1	12.8	1.8	-8.9	-7.8	5.7	-2.3	17.2	5.2	-1.6
	Shr	8.0	8.6	8.6	8.2	8.2	7.2	6.7	6.9	6.8	6.4	5.7

**Shr = share to total exports or imports,*

Source: Dept. of Statistics preliminary release, Kenanga Research

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