



Malaysia tariffs: Out of the frying pan, awaiting the fire

1 October 2025

Executive Summary

With reciprocal tariffs (RT) now largely priced in, trade-related risks are likely to notch up amid the potential US semiconductor tariffs. The perimeter of which, consisting of the precise scope, timing, and rate, remains uncertain. Although there are signs of exemptions for US-affiliated firms operating locally, we still take the view that the MYR faces heightened vulnerability due to its significant exposure to the US in the E&E sector. Regionally, the VND and THB face greater near-term risks given similar export profiles. Additionally, longer-term pressures on the TWD and KRW may emerge from current account compression amid semiconductor tariffs.

New tariff rates on Malaysia compare favourably with ASEAN

Malaysia's recent trade deal with the US resulted in tariffs on Malaysian exports to the US being set at 19%, which aligns with those of its ASEAN peers (see Exhibit 1). The deal sees Malaysia committing to reduce or eliminate import duties on an incremental 4,693 items, while also committing to USD 240 billion in purchases and investments with the US (see Exhibit 2). We note that the figure is retrospective and inclusive of deals signed/announced prior to the deal (i.e., in early 2025), while the date for signing the trade deal (along with the release of more comprehensive details) has yet to be announced. RT themselves are also pending a hearing from the US Supreme Court starting on 5 November, with a decision likely to take several months thereafter. Two lower courts have already struck down Trump's RT, putting them at risk, hence leading the administration to increasingly focus towards sector-related tariffs, such as its tariff announcements on pharmaceuticals (100%), heavy trucks (25%), furniture (25%), and lumber (10%) in late-September.

Looming semiconductor tariffs are a bigger threat to Malaysia

While these products represent only a minor proportion of Malaysia's exports (see Exhibit 4), the bigger threat lies with semiconductor tariffs. Reuters reported that the Trump administration is considering reviving the idea of semiconductor tariffs on foreign electronics based on the number of chips it has, while also planning a 1:1 domestic-to-import chip manufacturing capability over time. Our current estimates suggest that approximately 46.1% of Malaysia's exports to the US are not subject to RT; however, the latest news report would significantly increase this proportion.

In 2024, the US's share of Malaysia's total exports was 13.2%, a significant increase from 9.6% just a decade ago (see Exhibit 3), primarily driven by the expansion of electronics and electrical (E&E) exports. Today, E&E accounts for more than half of Malaysia's exports to the US (see Exhibits 4-6). This suggests significant risks ahead from US President Trump's threats of 100-300% tariffs

Exhibit 1: New tariff rates on key countries

Countries	New Tariff Rate (July/Aug)	Post-90 day pause (July letters)	Original Reciprocal Tariff Rate (April)	Import + Investment commitments with the US (USD billion)
Malaysia	19%	25%	24%	240
Vietnam	20% / (40%)**	40%	46%	-
Indonesia	19%	32%	32%	-
Philippines	19%	20%	17%	-
Thailand	19%	36%	36%	-
Singapore	-	10%	10%	-
Taiwan	20%	20%	32%	-
China	(pending)	30%	54%	-
South Korea	15%	25%	25%	350
Japan*	15%	25%	24%	550
EU*	Up to 15%^	30%	20%	1,350
UK	10%	-	10%	-
Australia	-	-	10%	-

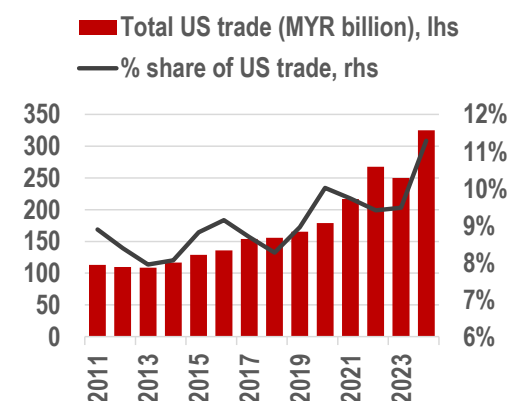
*15% flat tariff rate applicable for all sectors (regardless of subsequent US sectoral tariff announcements)
 **40% rate for transshipment goods
 ^to top up to minimum 15% for duties on each good

Exhibit 2: Headline commitments by Malaysia to reduce tariff application from 25% to 19%

Malaysia's Overall Commercial Commitments

- 1) USD150 billion in purchases for Malaysia's semiconductor, aerospace, and data centre sectors (by various MNC)
- 2) USD70 billion in investments in the US over 10 years
- 3) USD19 billion in Boeing aircraft purchases by Malaysia Aviation Group (MAG)
- 4) USD3.4billion/year in LNG purchases by Petronas
- 5) USD42.6million/year in coal purchases by Tenaga Nasional.
- 6) USD119million in purchases of telecommunications product by Telekom Nasional.

Exhibit 3: Malaysia's trade with the US



Sources: AmBank Economics, Bloomberg, CEIC, White House press, various news sources

on semiconductor imports, which are currently exempt from tariffs amid the US Section 232 review of the Trade Expansion Act of 1962. Sectoral tariffs, such as those on semiconductors, also rest on a separate, firmer legal basis compared to RT (the IEEPA), and are more likely to be implemented given their currently legally unchallenged status.

While Trump also stated exemptions will be provided for US firms with production relocation plans back to the US, key details remain unclear, such as 1) Scope of tariff application, either by product-line and/or which firms may be covered (and the 'investment threshold' required for firm exemptions), and 2) The timeline and actual tariff rate of implementation (production relocation will take a lengthy time period, while the punitive 100-300% rate is likely merely a negotiating tactic).

The average value per good exported by Malaysia suggests that the country occupies a middle position in the value chain for semiconductor exports to the US (see Exhibit 9). Together with MITI's clarification that 65% of Malaysia's semiconductor exports to the US are produced by US firms operating locally, this suggests that chips exported are mainly intermediate products, thereby indicating a good likelihood that these US-affiliated firms may be exempt from export tariffs – at least in the short term, given their complementary supply chains, strategic partnerships, and cost integration with the US.

According to PM Anwar Ibrahim, Malaysia secured over MYR63 billion in semiconductor investments as of March 2025 since the launch of the National Semiconductor Strategy (NSS) in May 2024, of which the majority came from foreign investors (MYR58 billion or about 92%). These include Carsem's advanced packaging facilities, which support energy efficiency, electric vehicle applications, and artificial intelligence. Additionally, Infineon has developed the world's largest 200mm silicon carbide power fab, and NXP, Syntiant, and Plexus have made contributions in semiconductor manufacturing and sensor technologies. Separately, Intel also reaffirmed its MYR50 billion reinvestment plan and workforce expansion, signalling its intent to scale up operations over the longer term.

While the substantial planned investments reflect confidence in the country's long-term semiconductor prospects, investment realisation may be subject to risks from the potential imposition of RT on semiconductors by the US, which could prompt firms to delay or scale back commitments, and have implications on Malaysia's growth, high-grade employment, trade balance, and foreign direct investment inflows.

THB, VND see greater vulnerability to US chip tariffs than MYR

A high Asian share of US semiconductor imports (see Exhibit 8) indicates greater risks for Asian currencies if the US implements high semiconductor tariffs with limited exemptions. Channels of transmission will fall on two fronts – a competitive devaluation exercise among producers to maintain manufacturing activity and export market share (short- to medium-term impact), as well as a compression in the country's trade and current account position (over the longer term).

In the near term, we foresee greater downside risks for the MYR, VND, and THB, given the three countries' large share of US semiconductor imports (see Exhibit 9). In particular, though Malaysia exports more semiconductors to the US than Vietnam or Thailand, we think their currencies see greater risks than the MYR, as their high concentration of exports leaning to destinations above 10,000km indicates a greater proportion flowing to the US (see Exhibit 10), while Malaysia sees better diversification across both countries and products. Meanwhile, as net US imports of chips slant towards semiconductor devices (HS code: 8541, see Exhibit 10), the TWD and KRW should fare relatively resiliently compared to the trio, given Taiwan and South Korea's exports that are more heavily weighted towards electronic integrated circuits (HS code: 8542).

As factory operations and supply chains are reconfigured over the longer term to accommodate alternate designs and destinations, net Asian exporters will be at risk of balance of payment pressures if US tariffs are not alleviated. In this regard, sharp vulnerabilities are expected for Taiwan, South Korea, and Malaysia, given the importance of their E&E exports in supporting their trade and current accounts (see Exhibit 11). Meanwhile, a relatively substantial current account surplus for Vietnam, Japan, Singapore, and China will continue to be positive for their respective currencies, with the latter two (SGD and CNH) likely to also be buttressed by central bank intervention.

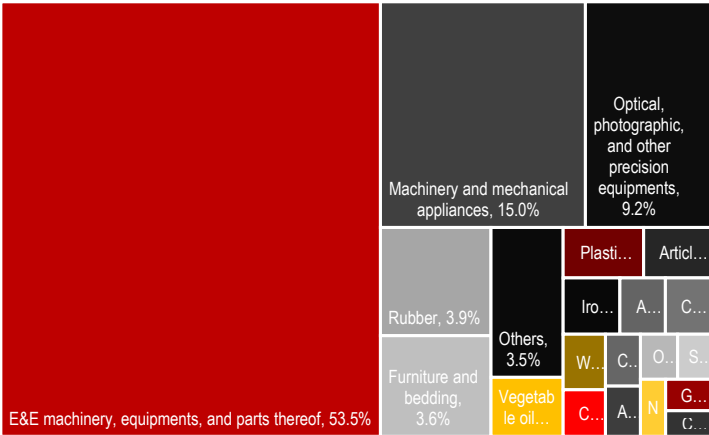
Exhibit 4: At over 50% in 2024, the E&E sector represents an outsized importance in exports to the US for Malaysia, of which 68% are semiconductors (HS 4-digit code: 8541 and 8542)

Top 20 Product Labels	Product Code (HS)	MY exports to the US (USD million, 2024)	% proportion of MY's exports to the US*	MY exports to the US (as % of RoW share)	US % share of world imports	Malaysia export reliance on the US*	MY to US, 2020-2024 growth in value (% p.a.)	MY to World, 2020-2024 growth in value (% p.a.)	%chg of US share vs. RoW (2020-2024)*	MY exports globally (USD million, 2024)	% proportion of MY's exports globally*
Electrical machinery and equipment and parts thereof...	'85	23,267	53.5%	19	13	6	23	8	15	120,296	36.4%
Machinery, appliances, nuclear reactors, boilers	'84	6,528	15.0%	20	18	2	7	10	-3	32,433	9.8%
Optical, photographic, cinematographic, etc.	'90	3,987	9.2%	25	17	8	14	9	5	15,750	4.8%
Rubber and articles thereof	'40	1,690	3.9%	25	16	9	-24	-19	-5	6,723	2.0%
Furniture bedding, mattresses, etc.	'94	1,568	3.6%	43	27	16	-8	0	-8	3,651	1.1%
Animal, vegetable or microbial fats and oils etc.	'15	601	1.4%	3	11	-8	2	5	-3	18,761	5.7%
Plastics and articles thereof	'39	573	1.3%	6	11	-5	10	2	8	9,706	2.9%
Articles of iron or steel	'73	477	1.1%	17	15	2	2	7	-5	2,750	0.8%
Iron and steel	'72	451	1.0%	7	7	0	43	4	39	6,533	2.0%
Aluminium and articles thereof	'76	360	0.8%	5	12	-7	17	10	7	6,621	2.0%
Cocoa and cocoa preparations	'18	358	0.8%	11	9	2	14	18	-4	3,297	1.0%
Wood and articles of wood; wood charcoal	'44	332	0.8%	15	16	-1	8	-2	10	2,253	0.7%
Articles of apparel and clothing accessories	'61	278	0.6%	28	20	8	2	2	0	997	0.3%
Miscellaneous chemical products	'38	257	0.6%	4	8	-4	-5	9	-14	6,202	1.9%
Aircraft, spacecraft, and parts thereof	'88	248	0.6%	20	16	4	10	-11	21	1,254	0.4%
Organic chemicals	'29	236	0.5%	4	14	-10	2	7	-5	5,365	1.6%
Toys, games and sports requisites	'95	210	0.5%	22	30	-8	18	18	0	963	0.3%
Vehicles other than railway or tramway rolling stock	'87	204	0.5%	8	21	-13	22	5	17	2,440	0.7%
Glass and glassware	'70	199	0.5%	13	11	2	18	4	14	1,581	0.5%
Copper and articles thereof	'74	162	0.4%	6	7	-1	58	3	55	2,759	0.8%

*More positive = Darker shade in orange/red = Greater impact on Malaysia's industry due to tariffs

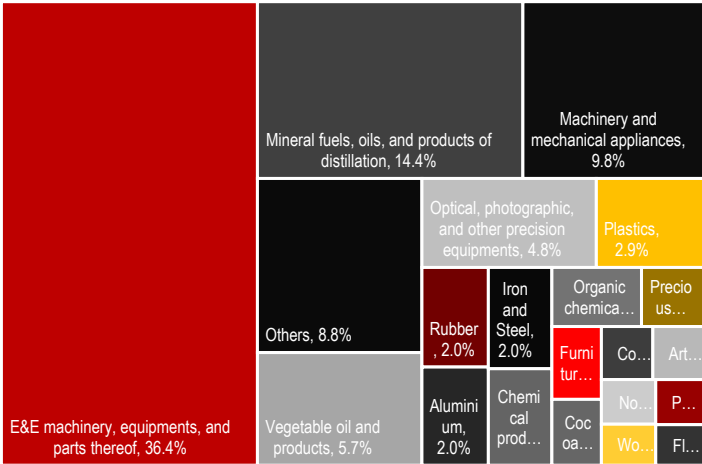
Sources: AmBank Economics, ITC

Exhibit 5: Value of Malaysia's exports to the US in 2024



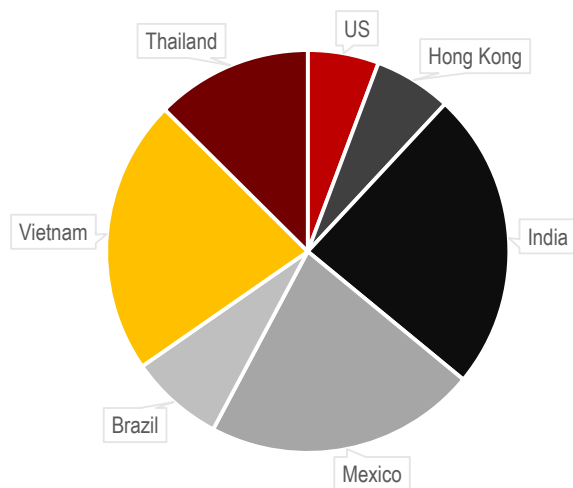
Sources: AmBank Economics, ITC

Exhibit 6: Value of Malaysia's exports to all countries in 2024



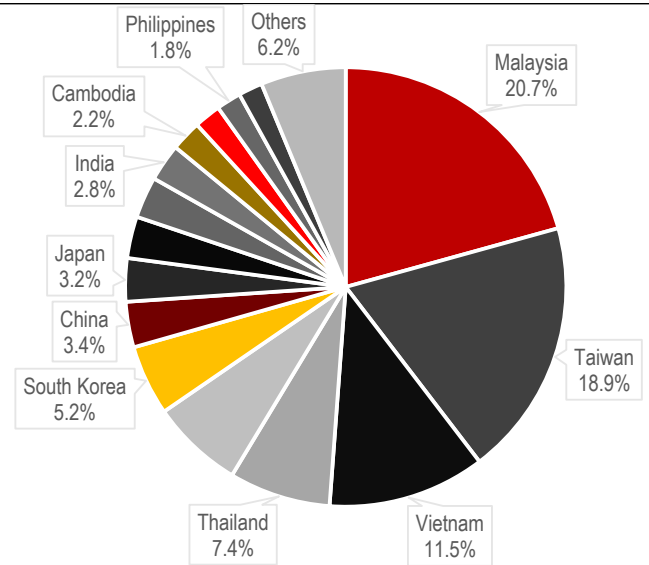
Sources: AmBank Economics, ITC

Exhibit 7: The net US imports of semiconductors from around the world are only ranked No. 7 (see Exhibit 10 for breakdown)



Sources: AmBank Economics, ITC

Exhibit 8: Asia accounts for more than 75% of US semiconductor imports in 2024



Sources: AmBank Economics, ITC

Exhibit 9: Malaysia occupies both sides of the value chain in exports to the US (i.e., exporting both semiconductor devices and electronic ICs), in contrast to its more specialised Asian peers, who focus only on either semiconductor devices or electronic ICs. The average value/unit exported by Malaysia also suggests that, overall, it occupies a middle position in the semiconductor value chain.

Countries	HS Code: 8541 - Semiconductor devices "e.g. diodes, transistors, semiconductor-based transducers"				HS Code: 8542 - Electronic integrated circuits (IC); parts thereof				Combined value (USD million)
	Value (USD million)	% share US imports	Units (millions)	Value/unit (USD)	Value (USD million)	% share US imports	Units (millions)	Value/unit (USD)	
Malaysia	3,390	15.1	4,654	0.73	9,598	23.8	2,334	4.1	12,988
Taiwan	539	2.4	2,108	0.26	11,355	28.1	2,534	4.5	11,894
Vietnam	5,846	26.1	593	9.86	1,401	3.5	23	62.0	7,247
Thailand	3,602	16.1	1,760	2.05	1,074	2.7	1,406	0.8	4,676
Israel	61.2	0.3	23	2.71	4,195	10.4	64	66.0	4,256
South Korea	824	3.7	986	0.84	2,422	6.0	311	7.8	3,246
China	631	2.8	13,467	0.05	1,474	3.6	1,644	0.9	2,105
Japan	986	4.4	3,126	0.32	1,016	2.5	441	2.3	2,002
Ireland	7.75	0.0	3.77	2.06	1,918	4.7	24	80.0	1,925
Mexico	423	1.9	115	3.69	1,487	3.7	1,651	0.9	1,911
India	1,685	7.5	153	11.00	42.0	0.1	11	4.0	1,727
Cambodia	1,411	6.3	40	35.00	0.6	0.0	0	55.0	1,411
Costa Rica	1.53	0.0	1.46	1.05	1,233	3.1	4	276.0	1,234
Philippines	184	0.8	943	0.20	954	2.4	967	1.0	1,139
Germany	297	1.3	343	0.86	812	2.0	483	1.7	1,108

Note: Data represent exports to the US only, not globally

Sources: AmBank Economics, ITC

Exhibit 10: While the US is the world's top importer of semiconductor devices (HS code: 8541) by a significant margin, strong exports of advanced electronic integrated circuits (HS code: 8542) help reduce its combined trade deficit.

HS Code: 8541 - Semiconductor devices				HS Code: 8542 - Electronic integrated circuits (IC)				8541 + 8542	
Net Importers	Value (USD million)	Avg Dist. (km) of supplying countries	Concentration*	Net Importers	Value (USD million)	Avg Dist. (km) of supplying countries	Concentration*	Net Importers	Value (USD million)
US	16,936	12,815	0.13	China	226,670	2,424	0.21	China	204,384
India	4,500	4,093	0.43	Vietnam	30,757	2,848	0.18	India	28,039
Mexico	3,081	12,490	0.21	India	23,539	4,534	0.20	Vietnam	25,779
Brazil	3,011	17,042	0.88	Mexico	22,351	12,368	0.14	Mexico	25,432
Pakistan	2,212	4,314	0.99	Thailand	16,021	3,457	0.23	Thailand	14,639
Spain	1,882	7,268	0.47	Hong Kong	6,783	1,746	0.20	Brazil	8,820
Saudi Arabia	1,767	6,965	0.91	Brazil	5,809	17,046	0.19	Hong Kong	7,246
South Korea	1,268	2,422	0.22	Hungary	3,369	2,854	0.21	US	6,656
Poland	1,078	6,651	0.46	Indonesia	3,351	4,171	0.18	Poland	4,143
Philippines	925	4,366	0.17	Poland	3,065	4,723	0.16		
Net Exporters	Value (USD million)	Avg Dist. (km) of demanding countries	Concentration*	Net Exporters	Value (USD million)	Avg Dist. (km) of demanding countries	Concentration*	Net Exporters	Value (USD million)
China	22,286	6,069	0.07	Taiwan	70,611	2,475	0.17	Taiwan	72,346
Singapore	5,116	4,726	0.11	South Korea	59,679	2,372	0.21	South Korea	58,411
Vietnam	4,978	11,358	0.55	Malaysia	22,469	4,533	0.13	Malaysia	26,595
Malaysia	4,127	8,196	0.19	Singapore	21,306	3,747	0.15	Singapore	26,422
Japan	3,687	4,551	0.14	US	10,280	9,367	0.12	Japan	12,838
Taiwan	1,734	2,458	0.23	Philippines	9,474	4,594	0.13	Philippines	8,549
Thailand	1,382	10,444	0.47	Japan	9,151	2,905	0.15	Israel	3,924
Cambodia	542	12,326	0.74	Israel	4,145	6,406	0.38	Ireland	3,252
Laos	354	12,650	0.88	Ireland	3,307	8,659	0.37	France	1,539
Morocco	268	9,304	0.27	France	2,412	3,736	0.14		

*Concentration of supplying/demanding countries refer to the extent a product is sourced from a small number of countries. The value ranges from 0 to 1, whereby a high concentration (i.e. closer to 1 value) indicates that a few countries dominate supply/demand for the given country, while low concentration (i.e. closer to 0 value) suggests a more diversified supplier/demand base.

Note: Data represents chip exports globally, not just to the US

Sources: AmBank Economics, ITC

Exhibit 11: The current accounts of Taiwan, Korea, and Malaysia are at significant risk of compression due to US chip tariffs.

Asian countries	E&E net exports/ (net imports)	Total trade	Trade surplus/ (deficit)	E&E NX/NI (as % of trade S/D)	Current Account	E&E NX/NI (as % of CA)	Note on potential impact
	(USD billion)			%	(USD billion)	%	
Taiwan	72.3	869.4	80.6	89.7%	112.7	64.2%	Significant drop in trade and CA surplus
South Korea	58.4	1,315.4	51.8	112.7%	99.0	59.0%	Significant drop in trade and CA surplus
Malaysia	26.6	631.0	30.5	87.1%	6.1	437.5%	Sharp trade account compression. CA flips deep into deficit.
Singapore	26.4	962.3	47.3	55.8%	96.2	27.5%	Milder impact on trade and CA compared to MY.
Japan	12.8	1,450.5	(36.5)	-35.2%	193.7	6.6%	Deeper into trade deficit, but CA surplus remains very healthy.
Philippines	8.5	200.9	(54.3)	-15.7%	(17.5)	-48.8%	Deeper into trade deficit and CA deficit.
Thailand	(14.6)	606.3	(4.8)	306.1%	11.3	-129.1%	Greater trade deficit. CA flips into deficit.
Vietnam	(25.8)	786.9	24.9	-103.5%	476.0	-5.4%	Slight trade deficit, but CA surplus remains very healthy.
China	(204.4)	6,167.4	993.1	-20.6%	423.9	-48.2%	Negligible, as chips trade are a function of government policies.

Sources: AmBank Economics, CEIC

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