

## **M'sia among nations that may see gains due to US' tariffs - ratings agency**

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**Bernama**

The sweeping US tariffs will be credit negative for Asia-Pacific (Apac), but lower tariff countries such as Malaysia, India, and the Philippines may gain market share through trade triangulation to serve the US market, according to Moody's Ratings.

In its latest report, the international rating agency said the new tariffs would hinder the "China+1" strategy, and that supply chain diversification away from China is unlikely to accelerate at this stage.

However, Apac economies may still be incentivised to deepen intra-regional trade and investment ties.

"Lower-tariff countries in the region may stand to gain market share on the margin from potential trade triangulation to serve the US market in the near term.

"For example, Malaysia (A3 stable), India (Baa3 stable) and the Philippines (Baa2

stable), which are subject to tariff rates in the middle band (10-30 percent range), may benefit from some trade diversion activity,” it said.

### **Shifting productions**

Moody’s Ratings added that economies with large domestic markets, such as India, could benefit as companies seek to access substantial consumer bases while keeping operating costs low by shifting production to these economies, though such developments are expected to unfold over several years.

It noted that economies subject to the lowest tier of tariffs, the 10 percent baseline, such as New Zealand (Aaa stable), Australia (Aaa stable), and Singapore (Aaa stable), would not be spared.

“While these economies face a smaller direct shock from US tariffs, these economies, Singapore in particular, have high exposure to a global trade slowdown.

“Moreover, for Australia, New Zealand and Indonesia, a potential slowdown in Chinese final demand with China being their largest trading partner would spill into lower demand for commodity exports,” it said.

Moody’s Ratings said frontier markets such as Sri Lanka, Pakistan (Caa2

positive), and Bangladesh, which lack the capacity to import heavily from the US and have fragile current account balances, could face a worsening of their broader external positions.

It added that these economies may see further strain on their economic growth outlooks.

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