

ECONOMIC REVIEW | April 2019 External Trade

Exports Growth Rebound as Sales of Most of the Key Products Recover

- *Exports back in positive growth. Exports growth rebounded to the positive territory of 1.1%yoy in Apr-19 following two consecutive months of contraction. However, imports increased at a faster pace of 4.4%yoy. Hence, trade surplus declined to RM10.9b (Apr-18: RM13b). Sector wise, manufacturing exports growth remain on uptrend at 2.7%yoy.*
- *Domestic exports post substantial growth. Domestic exports expanded by a double digit growth of 11.9%yoy compared to a tepid 0.7%yoy in the prior month. The fifth consecutive months of positive growth indicates a good momentum for this year and provides brighter outlook for GDP growth in 2Q19 as domestic exports involve high value-added activities.*
- *Better outlook for 2Q19. Exports growth for the first four months averaged at -0.4%yoy. However, based on the latest rebound, we expect exports to register positive growth in 2Q19. Steady economic performances in the two largest economies in the world on top of Ringgit depreciation are expected to provide support to Malaysia's export performance.*
- *We reiterate our forecast exports growth to average 3.6% in 2019. Due to higher base effects and continuous signs of faltering trade globally derive from rising protectionism and a loss of momentum in some major economies, especially in Europe, we foresee exports growth to moderate further at 3.6% this year (2018: 6.7%), unchanged from our earlier forecast.*

Exports back in positive growth. Exports growth rebounded to the positive territory of 1.1%yoy in Apr-19 following two consecutive months of contraction. However, imports increased at a faster pace of 4.4%yoy. Hence, trade surplus declined to RM10.9b (Apr-18: RM13b). Sector wise, manufacturing exports growth remain on uptrend at 2.7%yoy. Meanwhile, both agriculture and mining goods exports growth continued to be in negative territory of -9.3%yoy and -1.5%yoy but on improving trend.

Capital goods rebound after seven months. Imports growth of capital goods finally bounced back to positive zone of 5.7%yoy, signaling some optimism on the future demand for manufacturing products in particular. In similar note, imports of both intermediate and consumption goods escalated significantly by 20.3%yoy and 18.9%yoy. Strong imports of both capital and intermediate goods are likely to create more employment opportunities and increase future exports. Despite the notable improvement, sustainability is still in doubt as Ringgit depreciates. Ringgit depreciation would make imports more expensive and locals opt to buy domestic products. However, businesses which rely on imported raw materials as their main input and have no competitive substitute domestically would be impacted due to increasing costs. In addition, latest PMI went down to 48.8 in May-19.

Table 1: Malaysia's External Trade Summary

	Oct-18	Nov-18	Dec-18	Jan-19	Feb-19	Mar-19	Apr-19
Exports (RMb)	96.4	84.8	83.5	85.4	66.6	84.0	85.2
% YoY	17.7	1.6	5.1	3.1	(5.3)	(0.5)	1.1
% MoM	16.2	(12.0)	(1.6)	2.2	(22.0)	26.2	1.4
Imports (RMb)	80.1	77.2	72.9	73.9	55.5	69.7	74.3
% YoY	11.4	5.0	1.0	1.0	(9.4)	(0.1)	4.4
% MoM	18.2	(3.5)	(5.4)	1.4	(24.8)	25.4	6.7
Total Trade	176.4	162.0	156.4	159.3	122.1	153.7	159.5
% YoY	14.8	3.2	3.2	2.1	(7.2)	(0.3)	2.6
% MoM	17.1	(8.2)	(3.4)	1.9	(23.3)	25.9	3.8
Trade Balance (RMb)	16.3	7.6	10.7	11.5	11.1	14.4	10.9
Import Components							
Intermediate (RMb)	39.3	40.2	39.4	37.5	31.9	38.0	40.7
% YoY	1.0	(0.3)	2.8	(0.8)	(2.8)	3.2	20.3
Capital (RMb)	9.4	10.5	9.5	9.0	6.6	8.4	8.9
% YoY	(1.6)	0.4	(21.8)	(3.3)	(14.9)	(11.8)	5.7
Consumption (RMb)	6.4	6.6	6.6	6.5	4.6	5.9	6.6
% YoY	7.6	0.9	5.7	3.3	(11.6)	10.6	18.9

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

Domestic exports post substantial growth. Domestic exports expanded by a double digit growth of 11.9%yoy compared to a tepid 0.7%yoy in the prior month. The fifth consecutive months of positive growth indicates a good momentum for this year and provides brighter outlook for GDP growth in 2Q19 as domestic exports involve high value-added activities. In contrast, re-exports which have low domestic value-added contracted for the third consecutive month at -33.1%yoy, the largest drop since Dec-07. Meanwhile, the ratio of re-exports to total exports recorded lower at 15.8% which demonstrates that for every RM1 value of exports, approximately 16sen of it is re-exports. Re-exports activities are expected to remain weak throughout the year mainly due to higher base effects besides external headwinds.

Exports to the US grew, to China tumbled. Malaysia's exports to the US rebounded to a positive growth of 3.1%yoy after two straight months of decline. However, exports to China, Malaysia's largest trading partner fell back to negative zone of -6.9%yoy from 11.8%yoy growth registered last month underpinned by lower sales of E&E and petroleum products, among others. Meanwhile, exports to ASEAN continue expanding at a higher pace of 7.2%yoy. Among ASEAN key countries, sales grew to Singapore, Thailand and Vietnam but continue to decrease to Indonesia.

Table 2: Malaysia's Exports (YoY%)

	Oct-18	Nov-18	Dec-18	Jan-19	Feb-19	Mar-19	Apr-19
Total Exports (RMb)	96.4	84.8	83.5	85.4	66.6	84.0	85.2
Re-exports (RMb)	20.8	15.9	14.4	17.5	10.5	15.2	13.5
Domestic Exports (RMb)	75.5	68.9	69.2	67.9	56.2	68.8	71.7
Exports by Key Country / Region							
China	33.0	3.9	(0.5)	9.1	(1.6)	11.8	(6.9)
USA	7.6	(3.6)	13.5	9.4	(8.9)	(3.6)	3.1
Japan	10.2	(8.9)	(6.4)	(5.0)	(2.9)	(11.3)	7.7
India	17.4	(0.5)	20.0	(0.6)	(4.9)	(3.0)	6.7
Hong Kong	42.1	17.4	25.6	(7.3)	(13.8)	(11.5)	0.1
Australia	47.0	(14.1)	21.7	(10.3)	(0.4)	2.9	4.2
EU	8.5	(7.7)	(4.9)	4.3	3.7	(5.0)	(8.6)
ASEAN	16.0	6.4	7.3	3.4	(7.8)	1.3	7.2
Selected ASEAN							
Singapore	18.3	7.1	12.2	5.4	(2.9)	(6.9)	11.3
Thailand	20.8	3.7	9.7	17.1	(4.1)	15.6	1.2
Indonesia	(3.6)	(13.2)	(9.3)	(13.8)	(24.7)	(9.4)	(3.0)
Vietnam	36.3	39.0	5.1	(8.6)	(20.5)	16.7	16.9
Philippines	9.8	(0.7)	8.0	(7.6)	3.4	0.7	(0.7)

Source: CIEC, MIDFR

E&E sales boomerang to positive ground. Exports of E&E which account for the largest share of total exports expanded by 3.9%yoy, recovering from almost 3-year-low figure recorded in a month earlier. Furthermore, exports of other key products such as petroleum products, LNG and optical & scientific equipment continue to increase with LNG in particular posted higher growth of 26.3%yoy compared to previous month. Meanwhile, exports of crude petroleum and palm oil & its based products continue to decline. Moving forward, the failure of US-China trade deal on top of palm oil purchase being included in the ECRL deal could provide some impetus to Malaysia palm oil exports.

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

	Oct-18	Nov-18	Dec-18	Jan-19	Feb-19	Mar-19	Apr-19
E&E	23.3	(1.7)	14.2	8.2	4.9	(1.9)	3.9
Machinery, Equipment & Parts	4.2	(0.4)	7.4	(1.5)	(6.6)	(9.0)	0.8
Optical & Scientific Equipment	10.3	10.5	14.6	7.1	(17.4)	19.2	19.5
Petroleum Products	31.2	41.2	(18.4)	(24.1)	(32.6)	26.2	11.6
Crude Petroleum	32.8	17.7	17.5	(1.1)	(21.8)	(33.5)	(34.6)
LNG	38.8	26.4	(2.7)	37.5	8.6	17.2	26.3
Palm oil & palm oil based agriculture products	(17.3)	(21.1)	(27.2)	(19.5)	(16.9)	(13.7)	(16.7)

Source: CIEC, MIDFR

Better outlook for 2Q19. Exports growth for the first four months averaged at -0.4%yoy. However, based on the latest rebound, we expect exports to register positive growth in 2Q19. Steady economic performances in the two largest economies in the world on top of Ringgit depreciation are expected to provide support to Malaysia's export performance. Based on our regional partners' trade performance in May-19, Vietnam's exports grew 7.5%yoy while South Korea's shrunk -9.4%yoy. This could provide cues on what to expect from Malaysia's exports in upcoming month.


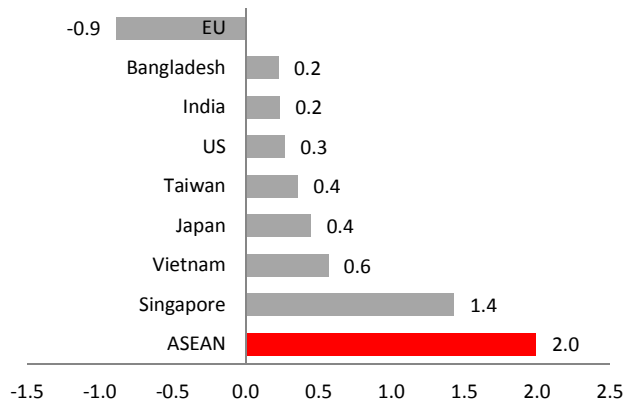
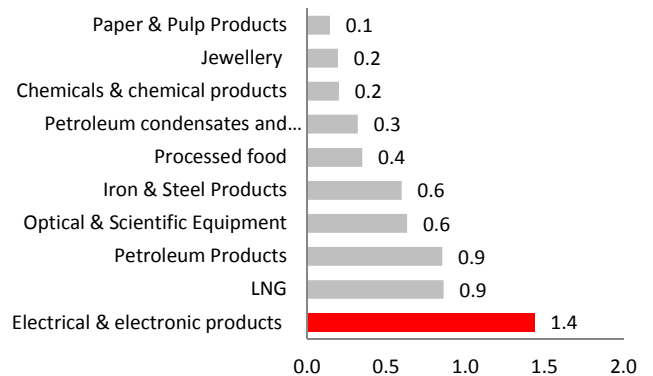
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Chart 1: % Contribution to Exports Growth by Destination



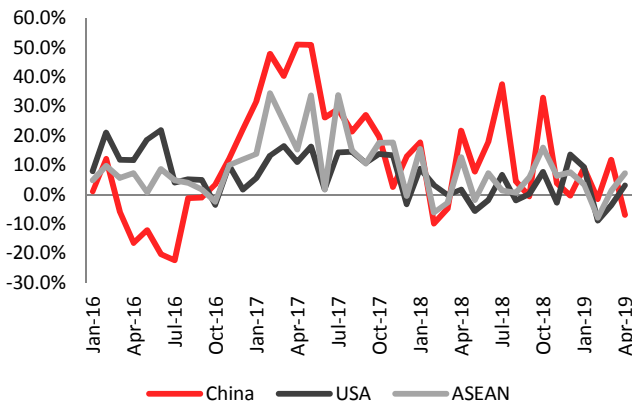
Source: CEIC; MIDFR

Chart 2: % Contribution to Exports Growth by Products



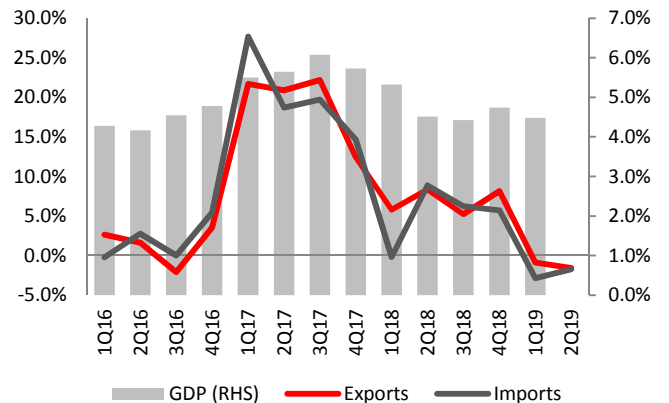
Source: CEIC; MIDFR

Chart 3: Exports Growth (YoY%) by Major Destination



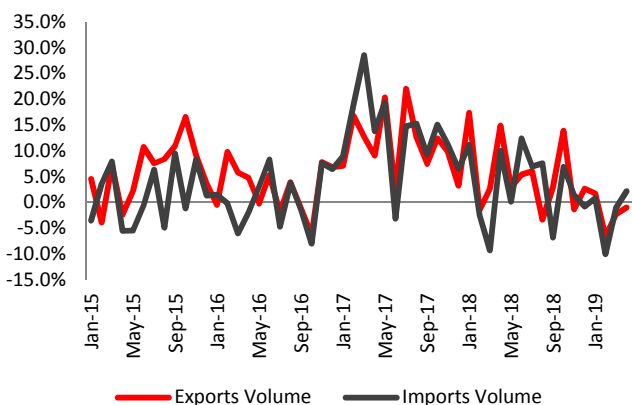
Source: CEIC; MIDFR

Chart 4: External Trade vs GDP, (YoY%)



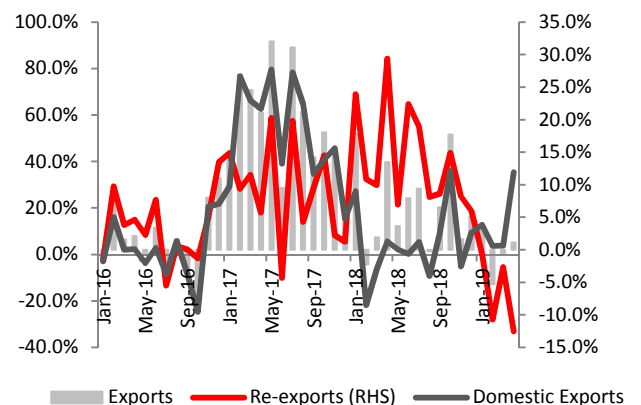
Source: CEIC; MIDFR

Chart 5: Exports vs Imports Volume (YoY%)



Source: CEIC; MIDFR

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



Source: CEIC; MIDFR

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