

## ECONOMIC REVIEW | April 2016 External Trade

### Stronger Petroleum Products Trade Buoyed Exports Higher in April

- Exports rose by 1.6%yoy to RM61.3 billion from RM60.4 billion in the previous year. Imports still declined but narrowed to only -2.3%yoy at RM52.3 billion. This leads to increase in trade balance to RM9.1, rising by 31.9%yoy.
- Strong petroleum products trade buttressed April performance. Exports of petroleum products jumped by 34.4%yoy and 21.0% on month-on-month basis due to higher shipment to major destinations. In particular, shipments to Singapore rose tremendously, more than double year-on-year basis and up by 68.5% month-on-month.
- We maintained our exports forecast for 2016 at 3.9% growth but downside revision on the line.

**Exports edged higher by 1.6%yoy in April while imports declined further by -2.3%yoy.** Exports rose by 1.6%yoy to RM61.3 billion from RM60.4 billion in the previous year. Imports still declined but narrowed to only -2.3%yoy at RM52.3 billion and this leads to increase in trade balance to RM9.1, rising by 31.9%yoy. Meanwhile, total trade declined by -0.2%yoy in April to RM113.6.0 billion which brought year-to-date performance up but only marginally by 0.2%yoy. Overall, exports figure exceeded both consensus and our expectation but imports slipped further than anticipated.

**Strong petroleum products trade buttressed April performance.** Exports of petroleum products jumped by 34.4%yoy and 21.0% on month-on-month basis due to higher shipment to major destinations. In particular, shipments to Singapore rose tremendously, more than double year-on-year basis and up by 68.5% month-on-month. Similarly, exports to Australia nearly tripled while to Vietnam increased by 210.7% yoy. Both higher volume and prices contributed to the higher exports value of this item during the month.

**Table 1: Malaysia's External Trade Summary**

	Dec-15	Jan-16	Feb-16	Mar-16	Apr-16	Jan-Apr 16
<b>Exports (RMb)</b>	68.3	61.9	56.7	66.9	61.3	246.5
% YoY	1.4	-2.8	6.7	0.2	1.6	1.2
%MoM	1.0	-9.4	-8.3	17.4	-7.9	
<b>Imports (RMb)</b>	60.3	56.5	49.4	55.4	52.3	213.5
% YoY	3.2	3.3	1.6	-5.5	-2.3	-0.9
%MoM	5.1	-6.0	-12.6	12.2	-5.6	
<b>Total Trade</b>	128.6	118.3	106.1	122.0	113.6	460.0
% YoY	2.2	0.1	4.2	-2.5	-0.2	0.2
%MoM	2.9	-7.8	-10.3	15.0	-6.8	
<b>Trade Balance (RMb)</b>	8.0	5.4	7.4	11.2	9.1	33.0
<b>Import Components</b>						
<b>Consumption (RMb)</b>	5.8	5.8	4.6	5.3	5.6	21.4
% YoY	43.8	33.1	17.9	21.9	15.3	22.0
<b>Capital (RMb)</b>	8.2	7.1	7.0	7.4	7.0	28.4
% YoY	2.6	-13.2	1.7	-22.2	0.0	-10.0
<b>Intermediate (RMb)</b>	31.8	34.7	27.4	32.0	29.7	123.5
% YoY	1.5	5.1	-6.6	-8.3	-6.8	-4.0

Source: Department of Statistics, Malaysia; MIDF Research

## Trade with ASEAN partners, United States, EU was on a better footing compared to North East Asia.

In April, exports to 8 countries were in decline which included China. Exports to the second biggest economy in the world shrank further by -16.6%yoy, the worst decline since February last year. Slump in palm oil and petroleum products exports were the main reason to the huge decline (palm oil:-49.0%yoy, petroleum products: -28.8%yoy). We noted that this was in stark contrast with the trend observed in Singapore as aforementioned. Exports to ASEAN partners were better with healthy improvement to Singapore, Philippines and Vietnam except to Indonesia and Thailand which shrank by 10.1% and 12.4% respectively. Intra trade performance within ASEAN is improving which export to the regional peers contributed 30% of Malaysia's total exports for the month.

**Manufactured goods exports performance steadied while higher agriculture exports gave support to April performance.** Manufactured goods exports only grew by 4.7%yoy in April, 0.1% higher compared to the previous month. As aforementioned, higher petroleum products contributed ominously to the overall manufacturing performance while E&E sector rose by 2.1%yoy, much improved from 0.4% recorded in March. For agriculture, palm-oil exports were up by 9.4%yoy, highest in 5 months as exports to India more than double during the month despite decline to China which contracted sharply by -49.0%. According to our analyst, China sourced more soybean oil but there was no indication either this will establish a longer trend.

**Table 2: Malaysia's Exports (%YoY)**

	2015	Jan-16	Feb-16	Mar-16	Apr-16	Jan-Apr 16
<b>Total Exports (RMb)</b>	780.0	61.9	56.7	66.9	61.3	246.5
<b>Exports by Key Country / Region</b>						
China	10.0	1.0	12.0	(5.9)	(16.6)	(3.8)
Hong Kong	(0.5)	(10.7)	14.0	(7.7)	8.5	(0.4)
USA	14.4	7.9	21.0	11.8	11.7	12.8
Japan	(10.7)	(26.0)	(20.6)	(15.1)	(18.7)	(20.2)
India	(0.7)	10.5	(5.4)	3.5	7.6	4.1
Australia	(14.8)	(17.3)	(6.8)	9.4	(5.3)	(5.5)
EU	8.4	6.4	11.3	6.5	(5.3)	4.5
ASEAN	2.8	4.8	9.7	5.6	7.2	6.7
<b>Selected ASEAN</b>						
Singapore	(0.2)	3.5	1.5	3.0	15.4	5.7
Thailand	10.5	6.0	8.0	4.9	(12.4)	1.4
Indonesia	(8.4)	(5.2)	26.3	(7.7)	(10.1)	(1.8)
Philippines	9.4	19.1	30.6	5.1	14.4	16.4
Vietnam	21.3	5.4	29.8	36.3	44.7	30.1


Source: Department of Statistics, Malaysia; MIDF Research

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

	2015	Jan-16	Feb-16	Mar-16	Apr-16	Jan-Apr 16
E&E	8.5	2.6	8.9	0.4	2.1	3.2
Chemicals & Chemical Products	7.2	3.4	11.7	4.1	2.5	5.2
Crude Petroleum	(20.3)	(38.2)	(14.1)	(9.1)	(25.8)	(23.4)
LNG	(26.2)	(48.2)	(34.0)	(43.7)	(32.4)	(40.9)
Machinery, Equipment & Parts	20.5	21.9	30.2	18.6	17.2	21.2
Palm Oil	(5.5)	9.2	6.6	7.6	9.4	8.2
Petroleum Products	(22.5)	(15.6)	(18.4)	(3.4)	34.4	(1.3)

Source: Department of Statistics, Malaysia; MIDF Research

**Imports of intermediate goods slipped further to 6.8 percent and 4.0 percent year-to-date.** Intermediate goods imports had declined for three consecutive months, while consumption goods were expanding by 22.0 percent in the same period. A positive growth of imports of intermediate goods is often indication of better industrial production in the coming quarters and vice-versa.

**We maintained our exports forecast for 2016 at 3.9% growth but unimproved global trade poses real downside revision.** With the global trade seems to weaken in recent time and no real sign of improvement, our expectation for exports performance in 2016 of 3.9%yoy growth is negatively biased toward downward revision. Unless there is a significant growth in the next quarter, we could expect exports to contract this year. 

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