

ECONOMIC REVIEW | January 2016 External Trade

Weak Trade Activity within Expectation

- Total trade increased in January by 0.1% to RM118.3 billion from RM118.2 billion in the previous year. After a strong performance in second half of 2015, exports declined by 2.8% to RM61.9 billion while imports rose by 3.3% to RM56.5 billion.
- Exports to Singapore, China rebounded weakly while exports to 8 countries within Top 20 were in red.
- We had expected that exports to grow by 3.9% in 2016 but further weak figures could prompt a revision in the forecast.

Weak trade activity in January was within our expectation but below consensus figures. Total trade increased in January by 0.1% to RM118.3 billion from RM118.2 billion in the previous year. After a strong performance in second half of 2015, exports declined by 2.8% to RM61.9 billion while imports rose by 3.3% to RM56.5 billion. This was the first decline since May 2015, a span of 8 months. As a result, trade balance shrank significantly by 39.8%yoy to RM5.4 billion. The overall performance of trade in January was within our expectation as weak trade figures from regional peers suggested that global trade activity remained sluggish and show little sign for improvement. A poll from Reuters showed that economists expected a 2.5% growth.

Exports to Singapore, China rebounded weakly while exports to 8 countries within Top 20 were in red. Singapore remained as the top exports destination and expanded decently by 3.5%yoy to RM9.0 billion value. On the other hand, exports to China grew marginally in January by 1.0% to RM6.5 billion, reversing the decline in the previous month of 5.0%yoy. Eight countries turned or remained negative in January with Korea registering the biggest contraction by 27.5%yoy, followed by Japan (26.0%), Taiwan (25.5%), Australia (17.0%), while others recorded smaller declines.

Table 1: Malaysia's External Trade Summary

	Sep-15	Oct-15	Nov-15	Dec-15	Jan-16	1H2015	2H2015	2015
Exports (RMb)	70.2	75.8	67.6	68.3	61.9	368.3	411.6	780.0
% YoY	8.8	16.7	6.3	1.4	(2.8)	(3.1)	6.8	1.9
%MoM / HoH	5.5	8.1	(10.8)	1.0	(9.4)	(4.4)	11.7	
Imports (RMb)	60.5	63.7	57.4	60.3	56.5	326.6	359.0	685.7
% YoY	9.6	(0.4)	9.1	3.2	3.3	(2.6)	3.3	0.4
%MoM / HoH	7.3	5.3	(9.8)	5.1	(6.0)	(6.0)	9.9	
Total Trade	130.6	139.5	125.0	128.6	118.3	670.0	770.6	1,466.0
% YoY	9.1	8.2	7.6	2.2	0.1	(2.8)	5.1	1.2
%MoM / HoH	6.3	6.8	(10.4)	2.9	(7.8)	(5.2)	10.9	
Trade Balance (RMb)	9.7	12.2	10.2	8.0	5.4	41.7	52.6	94.3
Import Components								
Consumption (RMb)	15.7	5.8	5.8	6.3	5.8			62.5
% YoY	26.5	34.1	43.8	37.8	33.1			24.2
Capital (RMb)	23.8	9.2	8.2	8.1	7.1			95.9
% YoY	(5.6)	18.8	2.6	-15.2	(13.2)			0.1
Intermediate (RMb)	101.8	37.1	31.8	35.4	34.7			399.0
% YoY	5.3	(9.5)	1.5	5.9	5.1			(2.2)

Source: Department of Statistics, Malaysia; MIDF Research

Exports to USA remained resilient but growth could be losing momentum. Exports to USA had expanded by double digit for two consecutive years. In January, exports only grew by single digit, 7.9%yoy to RM6.3 billion. In the past two years, exports to the US had been growing healthily as the biggest world economy continued its recovery. However, the recovery of the US economy was also seen as losing momentum as the US recorded a weak GDP growth in the fourth quarter of 2015, expanding only by 1.0% on a seasonally adjusted annualised basis. Expectation on the first quarter growth of 2016 is also downbeat as bulging inventories means producers could have little incentive to produce more.

Steep decline in mining goods exports and petroleum related products, tepid growth in manufacturing exports. Overall, mining goods shrank by 40.9%yoy to RM5.6 billion from RM9.5 billion in the previous year. The steep decline was mainly due to huge drop of exports of LNG (48.2%yoy) and crude petroleum (38.2%yoy). Manufactured goods only grew by 4.0%yoy with the top two products i.e E&E and chemical products expanded marginally by 2.6% and 3.4% respectively. Petroleum products were a drag to manufactured goods performance, shrinking by 15.6%yoy in January. However, agricultural goods grew positively 5.7%yoy as exports of palm & palm oil based products and timber recorded higher export growth of 9.2% and 15.9% respectively.

E&E remained in black but growth weakened as expected. Exports of E&E grew by 8.5% in 2015 to RM277.9 billion, contributing more than a third of Malaysia's total export. However, as aforementioned, E&E only grew marginally this month by 2.6%yoy. This is most likely cyclical as the first quarter is always rather quieter compared to the next two quarters.

Table 2: Malaysia's Exports (%YoY)

	Oct-15	Nov-15	Dec-15	Jan-16	2015
Total Exports (RMb)	75.8	67.6	68.3	61.9	780.0
Exports by Key Country / Region					
China	25.9	14.2	(5.0)	1.0	10.0
Hong Kong	(0.8)	(3.0)	6.5	(10.7)	(0.5)
USA	30.5	9.2	15.6	7.9	14.4
Japan	5.1	(17.4)	(6.4)	(26.0)	(10.7)
India	29.1	5.7	(8.5)	10.5	(0.7)
Australia	28.9	(9.4)	(1.1)	(17.3)	(14.8)
EU	27.0	5.9	5.8	6.4	8.4
ASEAN	12.2	6.2	7.1	4.8	2.8
Selected ASEAN					
Singapore	12.2	2.3	1.1	3.5	(0.2)
Thailand	17.5	9.5	14.5	6.0	10.5
Indonesia	(6.4)	(6.5)	12.8	(5.2)	(8.4)
Philippines	11.2	40.3	13.8	19.1	9.4
Vietnam	28.2	5.6	11.2	5.4	21.3

Source: Department of Statistics, Malaysia; MIDF Research

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

	Oct-15	Nov-15	Dec-15	Jan-16	2015
E&E	22.7	0.6	7.3	2.6	8.5
Chemicals & Chemical Products	18.5	24.7	3.6	3.4	7.2
Crude Petroleum	(8.8)	(2.6)	(19.6)	(38.2)	(20.3)
LNG	(16.1)	(20.5)	(6.1)	(48.2)	(26.2)
Palm Oil	3.6	7.2	(3.5)	9.2	(5.5)
Petroleum Products	(21.2)	24.7	(39.2)	(15.6)	(22.5)

Source: Department of Statistics, Malaysia; MIDF Research

Imports of intermediate goods increased by 5.5 percent in January. Intermediate goods imports increased by 5.5%yoy in January while consumption goods were higher by 33.1 percent in 2015. A positive growth of imports of intermediate goods is often followed by better industrial production in the coming quarters and vice-versa.

We had expected that exports to rebound slightly by 3.9% in 2016 but revision is on the line if performance worsen in coming months. We had expected that exports to grow by 3.9% in 2016 but further weak figures could prompt a revision in the forecast. 

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