

ECONOMIC REVIEW | March 2016 External Trade

Exports Continue to Expand Albeit Marginally

- Exports eased significantly in March while imports declined sharply. A combination of low base effect and contraction in imports saw trade balance surged by 52.4%yoy to RM11.2 billion in March. Total trade declined by -2.5%yoy in to RM122.0 billion leading to a total contraction of -11.8%yoy for 1Q16. Overall, exports figure were within our expectation but imports slipped further than anticipated.
- Appreciating Ringgit in March partly weighed on trade performance

Exports growth moderated sharply to 0.2%yoy in March leading to 1.0%yoy increase in 1Q16.

Exports eased significantly in March to 0.2%yoy at RM66.9 billion from RM66.5 billion in the previous year while imports declined sharply by 5.5%yoy to RM55.4 billion. A combination of low base effect and contraction in imports saw trade balance surged by 52.4%yoy to RM11.2 billion in March. Total trade declined by -2.5%yoy in to RM122.0 billion leading to a total contraction of -11.8%yoy for 1Q16. Overall, exports figure were within our expectation but imports slipped further than anticipated.

Appreciating Ringgit in March partly weighed on trade performance. Ringgit appreciated by 2.6% month-on-month to RM4.0768 in March from RM4.1859 in the previous month. With total trade denominated in USD is estimated at about 90%, trade performance in March month is partly weighed by Ringgit appreciation. Recall that in last August, exports jumped significantly month-on-month by 5.5% when Ringgit slipped against USD by -6.8% in the same month. In time of depreciating local currency, local exporters whose revenue in dollar and cost in Ringgit are the greatest beneficiaries. Even at constant trade volume, they shall benefit from higher Ringgit revenue. Hence, we believe March's trade performance has been weighed by the appreciating Ringgit.

Table 1: Malaysia's External Trade Summary

	Nov-15	Dec-15	Jan-16	Feb-16	Mar-16	Jan-Mar 16
Exports (Rmb)	67.6	68.3	61.9	56.7	66.9	185.2
% YoY	6.3	1.4	-2.8	6.7	0.2	1.0
%MoM /QoQ	-10.8	1.0	-9.4	-8.3	17.4	-12.6
Imports (Rmb)	57.4	60.3	56.5	49.4	55.4	161.2
% YoY	9.1	3.2	3.3	1.6	-5.5	-0.4
%MoM / QoQ	-9.8	5.1	-6.0	-12.6	12.2	-11.0
Total Trade	125	128.6	118.3	106.1	122.0	346.4
% YoY	7.6	2.2	0.1	4.2	-2.5	0.4
%MoM / QoQ	-10.4	2.9	-7.8	-10.3	15.0	-11.8
Trade Balance (Rmb)	10.2	8.0	5.4	7.4	11.2	23.9
Import Components						
Consumption (Rmb)	5.8	6.3	5.8	4.6	4.4	15.8
% YoY	43.8	37.8	33.1	17.9	21.9	24.6
Capital (Rmb)	8.2	8.1	7.1	7.0	9.5	21.4
% YoY	2.6	-15.2	-13.2	1.7	-22.2	-12.9
Intermediate (Rmb)	31.8	35.4	34.7	27.4	34.5	93.9
% YoY	1.5	5.9	5.1	-6.6	-8.3	-3.1

Source: Department of Statistics, Malaysia; MIDF Research

Exports to US remain strong but 8 out 20 top trading partners contracted including China. In February, only 5 out 20 top trading partners saw contraction in exports. In March, it climbed to 8 which include China. Exports to the second biggest economy shrank by -5.9%yoy largely due to slump in E&E and mining goods exports which contracted by -14.9%yoy and -28.2%yoy respectively. In contrast, E&E exports to US grew by 16.5%yoy to RM4.0 billion while mining goods expanded by almost 500% to RM124.4 million.

Meanwhile, exports to ASEAN and EU grew by 5.6%yoy and 6.5%yoy respectively. Exports to ASEAN and EU expanded in March by 5.6%yoy and 6.5% respectively. However, we note that this was lower than the first quarter average of 6.5%yoy and 7.9%yoy respectively. Most ASEAN partners recorded expansion except Indonesia which declined by 7.7%yoy while Brunei shrank and 7.4%yoy. For EU, Germany and Spain were the driver for exports growth in March. Exports to Germany increased by double digit at 18.8%yoy to RM1.6 billion while exports to Spain more than double to RM240.5 million from just RM109.1 million in the previous year.

Manufactured goods exports moderated significantly due to underperformance of E&E. Manufactured goods exports only grew by 4.6% in March, ominously slower than February's 11.5%. This was due to the underperformance the E&E sector which only expanded by 0.4% compared to 8.9% in the previous month. Despite E&E exports to countries such as Singapore and USA recorded double digit expansion at 12.0%yoy and 16.5%yoy respectively, the biggest E&E exports destination i.e China shrank by -14.9%yoy. However, the weak demand is largely expected as China recorded their slowest quarterly economic growth since 1992 in 1Q16.

Table 2: Malaysia's Exports (%YoY)

	2015	Dec-15	Jan-16	Feb-16	Mar-16	Jan-Mar 16
Total Exports (RMb)	780.0	68.3	61.9	56.7	66.9	185.2
Exports by Key Country / Region						
China	10.0	(5.0)	1.0	12.0	(5.9)	1.3
Hong Kong	(0.5)	6.5	(10.7)	14.0	(7.7)	(3.2)
USA	14.4	15.6	7.9	21.0	11.8	13.1
Japan	(10.7)	(6.4)	(26.0)	(20.6)	(15.1)	(20.6)
India	(0.7)	(8.5)	10.5	(5.4)	3.5	3.0
Australia	(14.8)	(1.1)	(17.3)	(6.8)	9.4	(5.6)
EU	8.4	5.8	6.4	11.3	6.5	7.9
ASEAN	2.8	7.1	4.8	9.7	5.6	6.5
Selected ASEAN						
Singapore	(0.2)	1.1	3.5	1.5	3.0	2.7
Thailand	10.5	14.5	6.0	8.0	4.9	6.2
Indonesia	(8.4)	12.8	(5.2)	26.3	(7.7)	1.7
Philippines	9.4	13.8	19.1	30.6	5.1	17.0
Vietnam	21.3	11.2	5.4	29.8	36.3	24.3


Source: Department of Statistics, Malaysia; MIDF Research

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

	2015	Dec-15	Jan-16	Feb-16	Mar-16	Jan-Mar 16
E&E	8.5	7.3	2.6	8.9	0.4	3.6
Chemicals & Chemical Products	7.2	3.6	3.4	11.7	4.1	6.2
Crude Petroleum	(20.3)	(19.6)	(38.2)	(14.1)	(9.1)	(22.7)
LNG	(26.2)	(6.1)	(48.2)	(34.0)	(43.7)	(42.5)
Machinery, Equipment & Parts	20.5	26.1	21.9	30.2	18.6	23.0
Palm Oil	(5.5)	(3.5)	9.2	6.6	7.6	7.8
Petroleum Products	(22.5)	(39.2)	(15.6)	(18.4)	(3.4)	(12.2)

Source: Department of Statistics, Malaysia; MIDF Research

Imports of intermediate goods fell further to 3.1 percent in January-March. Intermediate goods imports increased by 3.1%yoy in January-March, while consumption goods were expanding by 24.6 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 . 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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