

## ECONOMIC REVIEW | May 2017 External Trade

### May 2017 Exports Growth Highest in 7-Years

- Exports grew faster than imports in May 2017. For the first time in 12 months, exports grew higher than imports, 32.5%yoy vs 30.4%yoy respectively. Based on current momentum, average value of exports for the past five months is at RM75.6 billion while 2016's monthly average was at RM65.5 billion.
- Exports share to ASEAN hits 30.3% in May 2017. The last time export share to ASEAN touched 30.3% was back in July 2016. Among the factors pushing up the share is due to further improvement in trade activities in the region.
- We maintain our 2017 exports growth forecast to 14.5%. In line with our estimate, exports will remain growing at solid pace this year given that economic performance in major as well as emerging economies are on uptick momentum together with gradual improvement in commodities prices.

**Exports grew faster than imports in May 2017.** For the first time in 12 months, exports grew higher than imports, 32.5%yoy vs 30.4%yoy respectively. On monthly basis, exports and imports as well as total trade expanded strongly by 7.5%, 13.3% and 10.2% respectively during the month. Based on current momentum, average value of exports for the past five months is at RM75.6 billion while 2016's monthly average was at RM65.5 billion. We expect exports will continue to perform well in the second half of the year. Continued broad-based recovery in global trade and stable commodities prices are among factors boosting our external trade performance.

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

	2016	Feb-17	Mar-17	Apr-17	May-17	Jan-May 2017
<b>Exports (RMb)</b>	<b>785.9</b>	<b>71.8</b>	<b>82.6</b>	<b>74.0</b>	<b>79.4</b>	<b>378.0</b>
% YoY	1.1	26.5	24.1	20.6	32.5	23.3
% MoM	-	2.1	15.1	(10.5)	7.5	-
<b>Imports (RMb)</b>	<b>698.7</b>	<b>63.1</b>	<b>77.2</b>	<b>65.2</b>	<b>73.9</b>	<b>344.9</b>
% YoY	1.9	27.7	39.4	24.7	30.4	27.7
% MoM	-	(3.8)	22.5	(15.6)	13.3	-
<b>Total Trade</b>	<b>1,484.6</b>	<b>134.8</b>	<b>159.9</b>	<b>139.2</b>	<b>153.3</b>	<b>722.9</b>
% YoY	1.5	27.1	31.1	22.5	31.5	25.4
% MoM	-	(0.7)	18.5	(12.9)	10.2	-
<b>Trade Balance (RMb)</b>	<b>87.3</b>	<b>8.73</b>	<b>5.40</b>	<b>8.75</b>	<b>5.49</b>	<b>33.0</b>
<b>Import Components</b>						
<b>Intermediate (RMb)</b>	<b>399.1</b>	<b>38.5</b>	<b>43.1</b>	<b>38.4</b>	<b>42.3</b>	<b>200.6</b>
% YoY	(0.1)	39.9	36.3	29.2	33.8	29.3
<b>Capital (RMb)</b>	<b>100.2</b>	<b>7.3</b>	<b>13.5</b>	<b>8.0</b>	<b>9.9</b>	<b>37.7</b>
% YoY	4.9	5.6	82.4	14.8	6.6	28.2
<b>Consumption (RMb)</b>	<b>67.0</b>	<b>4.6</b>	<b>6.1</b>	<b>5.7</b>	<b>6.7</b>	<b>28.7</b>
% YoY	7.4	(0.6)	14.0	1.0	8.3	4.4

Note: MoM is non-seasonally adjusted figure

Source: DOSM; MIDFR

**Intermediate goods imports surged to 33.8%yoy** . Imports of intermediate goods rose higher than the average growth of the past five months of 29.3%yoy. Meanwhile, capital imports recorded lower growth in May at 6.6%yoy, lowest in three months. Imports growth for both intermediate and capital goods have been on steady pace since January. Hence, the sturdy growth in imports may translate into greater industrial production in months to come. As for consumption goods, it expanded to RM6.7 billion or 8.3%yoy. The expansion of consumption goods is due to Ramadhan and Eid Celebration in June. In addition, sharp increase in imports of processed food and textile, apparels & footwear by 29.8%mom and 23.2%mom may be the evidences of Ramadhan effects seen in May.

**Exports to major destinations increased strongly with double-digits growth.** By selected destinations, China and the US contributed 4.4% and 4.0% respectively to total exports growth of 32.5%yoy registered in May. Regionally, ASEAN and EU contributed 8.2% and 0.2% respectively to total export growth in May. We expect the global trade outlook for second half of 2017 will remain bright given that market confidence in major economies are upbeat and threat of protectionism slowly waning.

**Exports growth to China registered above 50%yoy for two consecutive months.** Exports to China increased to RM10.7 billion by 51.5%yoy in May, highest in 7 years. The last time exports to China grew more than 50%yoy was in March 2010. The recent surged in the exports was mainly driven by, petroleum products, chemicals & chemical products and electrical & electronics products which grew by 171.4%yoy, 43.7%yoy and 36.6%yoy respectively during the month. Similarly, exports to the US rose by 16.3%yoy, well above previous year's average of 9.6%yoy. Exports of electronic & electronics and rubber products, constitute about 63.1% of Malaysia total exports to the US. In April, both products registered an exports growth of 10.2%yoy and 49.6%yoy respectively.

**Exports share to ASEAN hits 30.3% in May 2017.** The last time export share to ASEAN touched 30.3% was back in July2016. Among the factors pushing up the share is due to further improvement in trade activities in the region. Malaysia's total trade with ASEAN region grew to RM42.2 billion with 34.7%yoy while exports growth registered strongly at 33.7%yoy during the month. By country, exports to Singapore and Indonesia expanded significantly by 45%yoy and 45.7%yoy in May. By products category, exports of electrical & electronic and petroleum products continue to boost exports growth to the region by increasing at faster pace of 39.7%yoy and 92.9%yoy respectively.

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

	2016	Feb-17	Mac-17	Apr-17	May-17	Jan-May 2017
<b>Total Exports (RMb)</b>	<b>785.9</b>	<b>71.8</b>	<b>82.6</b>	<b>74.0</b>	<b>79.0</b>	<b>378.0</b>
<b>Exports by Key Country / Region</b>						
China	(2.9)	47.6	40.3	50.6	51.5	44.3
USA	8.9	13.2	16.5	11.0	16.3	12.6
Japan	(12.9)	19.9	12.0	44.7	12.8	21.8
India	1.1	32.2	15.2	23.6	4.8	13.7
Hong Kong	2.1	7.2	16.6	(4.0)	32.0	11.4
Australia	(4.8)	(3.0)	14.4	7.4	61.9	23.8
EU	1.2	11.2	28.1	14.9	29.7	24.5
ASEAN	5.4	36.1	24.8	26.5	33.7	23.9
<b>Selected ASEAN</b>						
Singapore	5.6	25.9	25.9	15.8	45.0	23.3
Thailand	(0.6)	26.4	16.6	22.1	19.3	17.2
Indonesia	(5.0)	74.7	32.5	13.0	45.7	31.0
Vietnam	36.7	54.2	36.3	(4.6)	(0.5)	22.6
Philippines	3.6	24.7	25.5	30.7	23.6	20.8

Source: DOSM; MIDFR

**Manufactured goods remain exports driver.** Of 32.5%yoy growth in total exports, 17.6% came from electrical & electronics and petroleum products. As for agriculture and mining goods, exports of palm oil and crude petroleum collectively contributed 3% to the total exports growth in May. The slight downward trends in agriculture and mining goods exports are predicted as commodities prices are growing at a slower rate, partly due to high base factor.


**Slight slowdown in commodity-based exports amid deceleration in commodities prices.** Growth in Brent oil price has been declining from 60.3%yoy in January this year to 1.2%yoy in May. In fact, the Brent oil price shrank by 3.5%yoy to \$47.90 per barrel last month. Growth in crude palm oil price also saw a declining from double digits to single digit since March 2017. In June, the palm oil price rose to RM2,596 per tonne, growth of 8.2%yoy. Exports of crude petroleum and palm oil increase by 56.8%yoy and 27.5%yoy respectively in May, slightly lower than the average growths for the past five months. Despite OPEC and non-OPEC agreement on extending output limit measures until March 2018, we believe the oil price will still remain sluggish due to supply glut causing by the US shale gas producers.

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

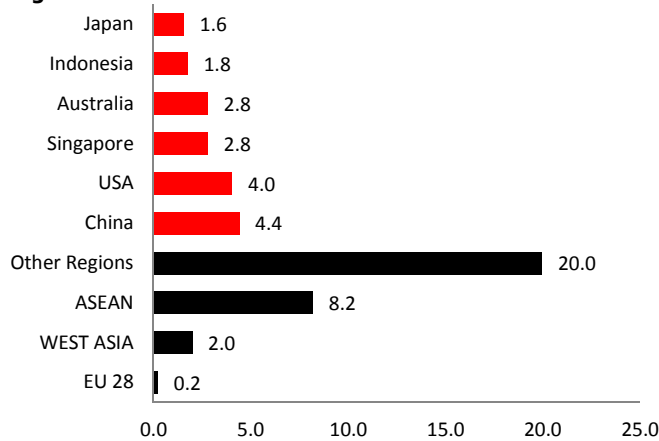
	2016	Feb-17	Mac-17	Apr-17	May-17	Jan-May 2017
E&E	3.5	22.4	21.2	22.2	31.3	21.7
Chemicals & Chemical Products	7.0	37.5	20.6	18.0	21.0	22.3
Petroleum Products	(0.1)	50.9	52.8	5.4	88.2	52.3
Machinery, Equipment & Parts	4.2	12.9	8.4	(1.2)	17.1	4.4
Palm Oil	5.9	63.5	22.9	20.8	27.5	30.2
LNG	(28.2)	2.1	11.5	50.2	3.8	12.3
Crude Petroleum	(14.6)	50.4	74.1	65.7	56.8	59.2

Source: DOSM; MIDFR

**Global economic indicators remain on upbeat trends.** Business and consumer confidences in developed and emerging economies are indicating positive outlook for the coming months. For instance, China's manufacturing and non-manufacturing PMI remain on expansionary path for both PMI figures in June. Moreover, US's IBD/TIPP Economic Optimism Index recorded at 51.3 in June, remaining above 50 points of expansion line for nine consecutive months. Based on the current trends, we believe robust global demand will maintain and support Malaysia's trade performances in the near term. Domestically we foresee Malaysia's external trade to continue a good performance in the second half given sustained favourable external environment.

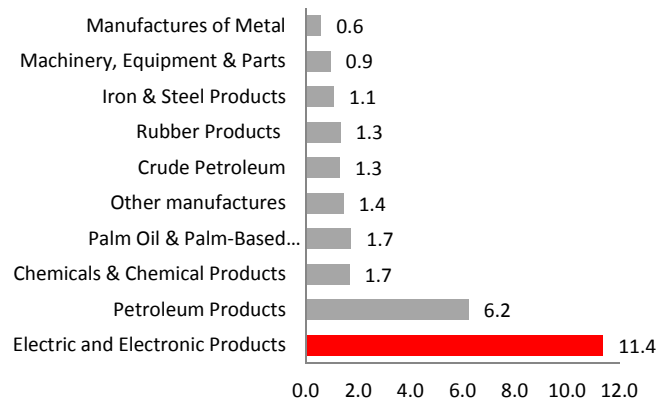
**We maintain our 2017 exports growth forecast to 14.5%.** In line with our estimate, exports will remain growing at solid pace this year given that economic performance in major as well as emerging economies are on uptick momentum together with gradual improvement in commodities prices. However, protectionism and geopolitical risks remain evident but receding. Hence, we opine that our external trade performance to perform significantly better in 2017 and would give positive spill over effects to export-oriented industries as such mining & quarrying, agriculture and manufacturing. 

**Chart 1: % Contribution to Exports Growth by Country and Region**



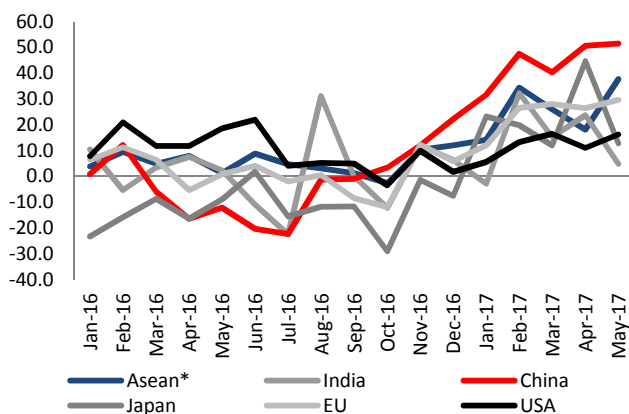
Source: DOSM; MIDFR

**Chart 2: % Contribution to Exports Growth by Products**



Source: DOSM; MIDFR

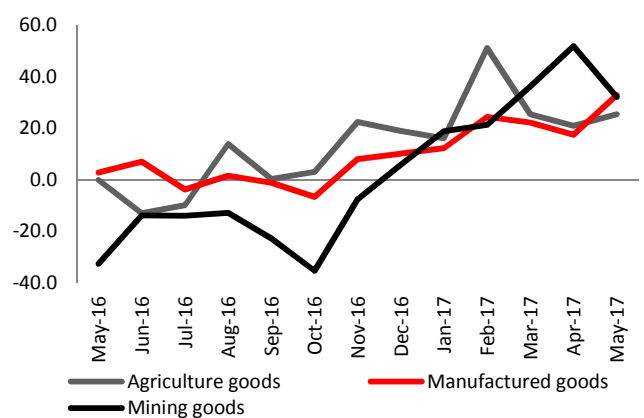
**Chart 3: Exports Growth (YoY%) by Selected Major Destinations**



Source: DOSM; MIDFR

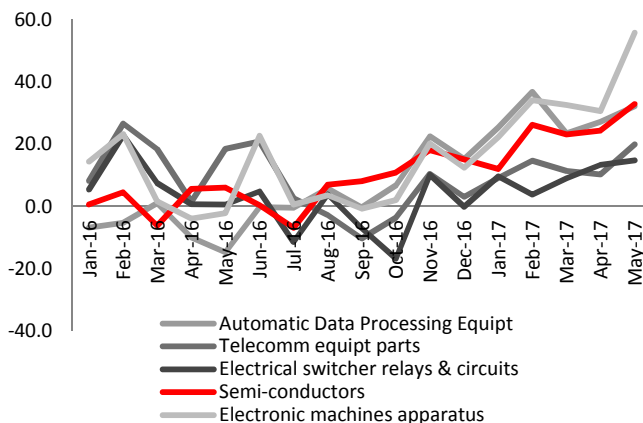
\*Referring to Indonesia, Singapore, Philippines, Thailand & Vietnam

**Chart 4: Exports Growth (YoY%) by Major Sectors**



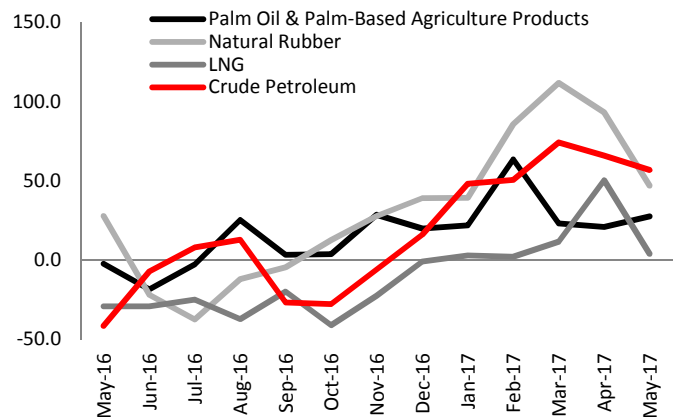
Source: DOSM; MIDFR

**Chart 5: Exports Growth (YoY%) by Selected E&E Products**



Source: DOSM; MIDFR

**Chart 6: Exports Growth (YoY%) by Commodities Products**



Source: DOSM; MIDFR

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