

ECONOMIC REVIEW | November 2016 External Trade

Positive Swing in E&E Demand from China, November Exports Sees Big Uptick by 7.8%yoy

- Malaysia's exports grew as much as 7.8%yoy in November, a pleasant surprise considering the figure was downright negative in October at -8.6%yoy. The higher yearly exports number for the month was mainly contributed by the growth of manufacturing sector, which grew robustly 7.9%yoy, after slumping by 6.7%yoy in October.
- Higher commodity prices helped push exports number for the month. Exports of palm oil grew by 6.4%mom and 28.4%yoy, mainly due to the rebound in prices which increased by approximately 6.1%mom and 35.8%yoy. As usual, E&E exports contributed the most to the yearly growth with a surge of 13.2%yoy, though as aforementioned it was mostly due to a low base effect.
- We maintain exports forecast of 0.5%yoy contraction for 2016 and 3.0% growth for 2017. Despite a positive rebound in November, we maintain our forecast of a slightly contraction in 2016 at 0.5% as December remains a tough challenge due to high base. However, for 2017, we project external trade to slightly pickup compared to last year on the back of firmer commodity prices and continued stabilization of the Chinese economy to drive global demand for merchandize goods.

Exports showed a pleasant surprise by rebounding as much as 7.8%yoy in November. Malaysia's exports grew as much as 7.8%yoy in November, a pleasant surprise considering the figure was downright negative in October at -8.6%yoy. The higher yearly exports number for the month was mainly contributed by the growth of manufacturing sector, which grew robustly 7.9%yoy, after slumping by 6.7%yoy in October. However, the stark difference in manufacturing sector numbers was largely due to low base effect. On month-on-month basis, mining goods had the largest surge in percentage terms, growing by 34.8%mom.

Table 1: Malaysia's External Trade Summary

	Jul-16	Aug-16	Sep-16	Oct-16	Nov-16	YTD
Exports (RMb)	59.9	67.6	68.0	69.2	72.8	710.4
% YoY	(5.3)	1.5	(3.0)	(8.6)	7.8	0.2
%MoM	(9.9)	12.9	0.7	1.7	5.2	-
Imports (RMb)	57.9	59.1	60.5	59.4	63.8	631.8
% YoY	(4.8)	4.9	(0.1)	(6.6)	11.2	(1.0)
%MoM	(4.9)	1.9	2.4	(1.7)	7.3	-
Total Trade	117.8	126.7	130.7	128.6	136.6	1,342.2
% YoY	(5.1)	3.0	(1.6)	(7.7)	9.3	0.5
%MoM	(7.5)	7.5	1.5	0.1	6.2	-
Trade Balance (RMb)	1.9	8.5	7.6	9.8	9.0	78.6
Import Components						
Intermediate (RMb)	32.1	34.5	34.8	33.7	35.5	360.6
% YoY	(11.8)	6.1	6.2	(8.9)	11.3	(1.1)
Capital (RMb)	11.0	8.3	8.4	8.9	9.2	91.3
% YoY	46.6	9.0	(5.6)	(2.0)	13.1	4.2
Consumption (RMb)	4.9	5.3	5.4	5.4	6.1	60.6
% YoY	(6.8)	10.4	(4.8)	(8.0)	5.4	7.9

Source: Department of Statistics, Malaysia; MIDF Research

Higher commodity prices helped push exports number for the month. Exports of palm oil grew by 6.4%mom and 28.4%yoy, mainly due to the rebound in prices which increased by approximately 6.1%mom and 35.8%yoy. As usual, E&E exports contributed the most to the yearly growth with a surge of 13.2%yoy, though as aforementioned it was mostly due to a low base effect. Taking a closer look, E&E sector actually declined by 1.7%mom hence December's performance would be the acid test to gauge if the uptrend in the sector has further leg to sustain.

China led global E&E exports demand. E&E exports to China went up by 20.2% year-on-year basis. Malaysia's other major exports destination for the item also saw higher growth such Hong Kong (23.9%yoy), Singapore (15.8%yoy), US (7.1%yoy) and Japan (17.3%yoy). But we have to reiterate the handsome year-on-year gain is largely due to weaker performance in last year during the month. We think China will be more crucial than ever in determining Malaysia's overall E&E exports in 2017 as the second largest economy set to distance itself from the US as the largest producer of solar electricity output. It planned to increase 15GW – 20GW solar production capacity annually in the next five years. According to international energy watchdog, solar electricity production in China stood at 43.5GW compared to only 31GW for the US in 2015.

Exports to India rebounded strongly, contraction of exports to Japan trimmed to 1.4%. The recent increase in commodity prices benefited those exports destination that has high concentration of such goods. In this case it was India and Japan. The former saw exports rebounded convincingly by 12.0%yoy, reversing the 12.3% decline saw in the previous month. The rising LNG prices especially have helped to trim the contraction in exports value to Japan as LNG comprises nearly 40% of our exports to the country. It also boost up the revenue of LNG exports to other major destination such as Korea which has actively turned to LNG for alternative energy source while its nuclear plants were shut down for maintenance during the month. However, starting in December LNG prices are falling again as the dollar is strengthening amid expectation of higher economic growth driven by expansionary fiscal stimulus. Thus, expect this to reverse the positive impact seen in November.

Table 2: Malaysia's Exports (%YoY)


	2015	Aug-16	Sep-16	Oct-16	Nov-16	YTD
Total Exports (RMb)	780.0	67.6	68.0	69.2	72.8	710.4
Exports by Key Country / Region						
China	10.0	(1.3)	(1.0)	(7.5)	12.0	(5.2)
USA	14.4	5.2	5.0	(3.5)	9.9	9.7
Japan	(10.7)	(11.8)	(11.7)	(29.1)	(1.4)	(13.5)
India	(0.7)	31.2	0.0	(12.3)	12.0	0.6
Hong Kong	(0.5)	5.1	(2.8)	14.5	10.9	1.7
Australia	(14.8)	(0.5)	1.9	(39.6)	2.1	(7.4)
EU	8.4	0.5	(8.4)	(12.0)	12.3	(0.7)
ASEAN	2.8	4.0	1.4	(2.6)	9.8	4.8
Selected ASEAN						
Singapore	(0.2)	3.2	6.3	(7.5)	14.9	4.8
Thailand	10.5	(11.3)	(2.6)	(8.9)	(0.6)	(1.6)
Indonesia	(8.4)	4.5	(17.3)	5.4	(1.1)	(5.8)
Vietnam	21.3	40.7	27.0	24.4	44.1	37.6
Philippines	9.4	7.8	(17.1)	8.7	(10.4)	3.5

Source: Department of Statistics, Malaysia; MIDF Research

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

	2015	Aug-16	Sep-16	Oct-16	Nov-16	YTD
E&E	8.5	3.0	0.3	1.2	13.2	3.0
Chemicals & Chemical Products	7.2	11.8	4.2	(4.7)	15.2	5.8
Petroleum Products	(22.5)	(15.7)	5.5	(7.4)	(12.5)	(4.2)
Machinery, Equipment & Parts	20.5	7.3	(10.3)	(19.8)	8.7	5.9
Palm Oil	(5.5)	21.3	3.2	3.7	28.4	4.6
LNG	(26.2)	(38.9)	(20.0)	(40.2)	(21.3)	(30.8)
Crude Petroleum	(20.3)	13.9	(26.8)	(27.9)	(6.1)	(17.3)

Source: Department of Statistics, Malaysia; MIDF Research

We maintain exports forecast of 0.5%yoy contraction for 2016 and 3.0% growth for 2017. Despite a positive rebound in November, we maintain our forecast of a slightly contraction in 2016 at 0.5% as December remains a tough challenge due to high base. However, for 2017, we project external trade to slightly pickup compared to last year on the back of firmer commodity prices and continued stabilisation of the Chinese economy to drive global demand for merchandize goods. 

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