

MALAYSIA

April trade – Another surprise

Just as it did for March, both exports and imports again surprised the market, this time with Exports way above consensus expectation at 18.9% - and Imports faster at 5% (consensus: 9.6% and -0.7%). While the low base could explain the rebound, the growth pace seen in was still exceptional, at the fastest in 4 years. The much faster growth in Exports was driven by sharp jump in almost all key commodities, notably the E&E which rose at its fastest in 4 years, except Palm oil which declined during the month on YoY basis. Imports rebounded mainly on Capital Goods, reflecting its volatile nature but the pace was rather modest while that of Intermediate Goods and Consumption Goods cooled off; signalling a downward adjustment in Exports and domestic demand going forward.

Strong growth in Exports driven by E&E and big commodities except Palm oil. Exports of E&E rebounded by 21.9% YoY - the fastest since April 2010 - from 6.2% in March. E&E which accounts for about 32.7% of total exports in March 2014 contributed about 36.8% or 7.0p.p. to growth in exports in April. However, on MoM basis, exports of E&E rose by just 3.4% reflecting the fact that the huge jump YoY was much attributed to the low base last year. Meanwhile, the forward looking indicator that we tracked for the E&E manufacturing, i.e. Korean leading indicator showed some signs of plateauing at the current pace, suggesting that while there is still some robust momentum in terms of YoY basis for the E&E exports in the next 2-3 months, the pace is likely to cool off in the 2H 2014.

Still volatile trend in commodities and resource-based manufacturing, in part contributing to the yo-yoing trend in overall Exports. Exports of LNG surged by 31.8%YoYin April following a dismal 3.2% in previous month while that of Crude Petroleum rebounded significantly by 37.1% during the month following a decline of 6.7% in March. However, exports of Palm Oil bucked the trend; it declined again by 4.8% after posting small growth in the past 3 consecutive months (Jan – Mar 2014 avg: 3.9%) Exports of resource-based products continued to show strong performance, supporting the growth in Exports of Manufactured goods. Refined Petroleum products accelerated to 37.3% (March: 30.8%) while Chemicals & Chemical-based products edged up further by 14.4% (March: 10.8%).

imports rebounded modestly on recovery in Capital Goods, albeit at a dismal pace, while that of Intermediate and Consumption Goods cooled off, signalling slower domestic demand and support our view of moderating Exports going forward. Imports rebounded mainly on Capital Goods, but its growth was rather modest at 4.3% YoY after declining in the previous 2 months (Mar: -8.8%, Feb: -11.9%). While we can argue that this type of imports have volatile trends due to its lumpy nature in only certain months, the fact that it had lost much steam since 2012 – 2013 when the economy was gearing up for ETP and other infrastructure-related projects, indicates that infrastructure projects are plateauing. Meanwhile, imports of Intermediate Goods declined again for the second consecutive month by 3.95 (Mar: 3.4%), signalling that Exports may moderate in the months ahead, in line with our prognosis guided by the other forward-looking indicator. At the same time, growth in imports of Consumption Goods cooled off significantly to 8.9% from 18.9% in March. , Overall trend in Imports hence signals a downward adjustment in Exports and domestic demand going forward.

Exports and total trade with key markets showed mixed performance in April. Exports to China rebounded by 13.2% during the month after declining by 1.8% in March with similar trend noted for that to US which picked up by 17.1% (March: 5.2%). Nonetheless, growth in exports to Singapore slowed down to 11.5% from 17.5% in the previous month. Total trade for the month to these 3 top markets showed similar trend with that of China and US edged up but that with Singapore decelerating rather markedly. 

Chart 1: Trade performance on monthly basis

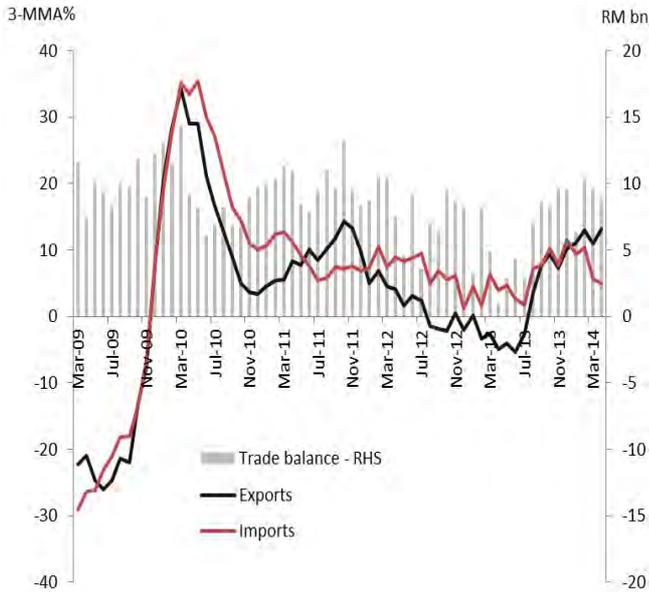


Chart 2: Exports performance increasingly influenced by volatile items

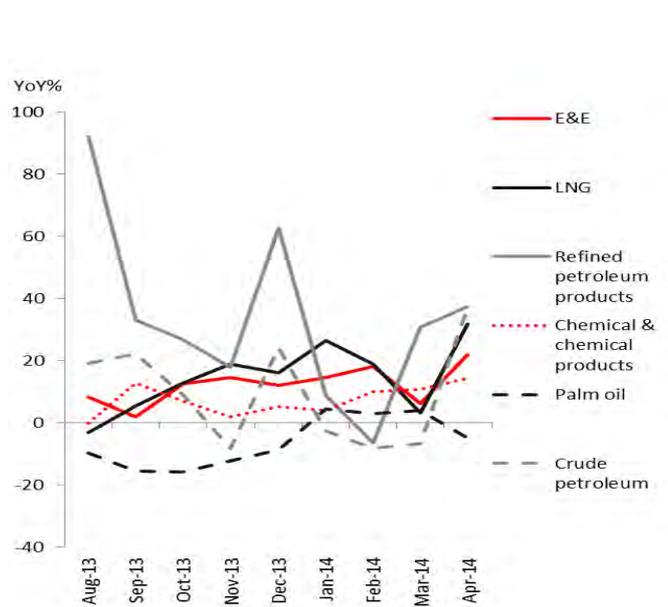


Chart 3: Exports surged on low base for both commodities and non-commodities

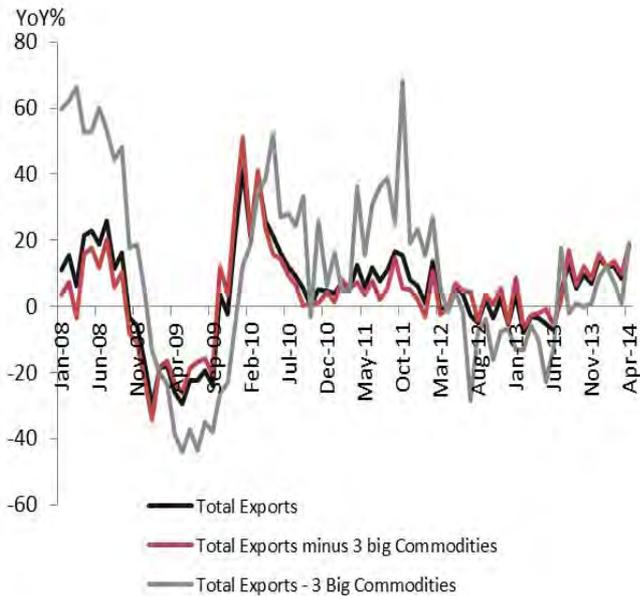


Chart 4: E&E resumed to power ahead but corrections may be forthcoming

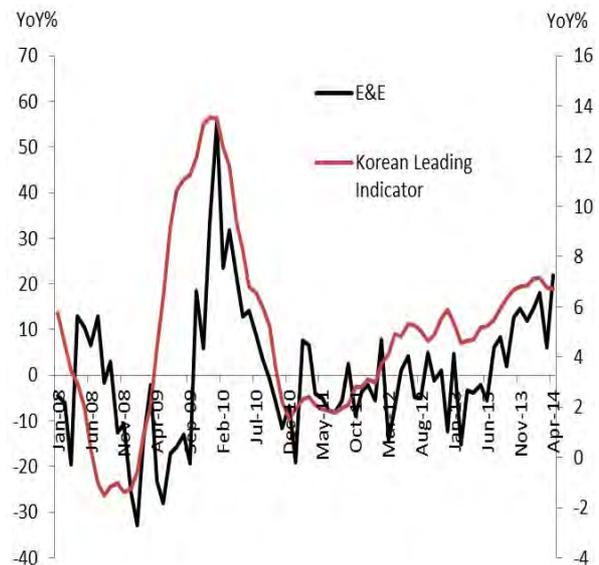


Chart 5: Imports rebounded YoY% on Capital Goods; Intermediate Goods continued to decline

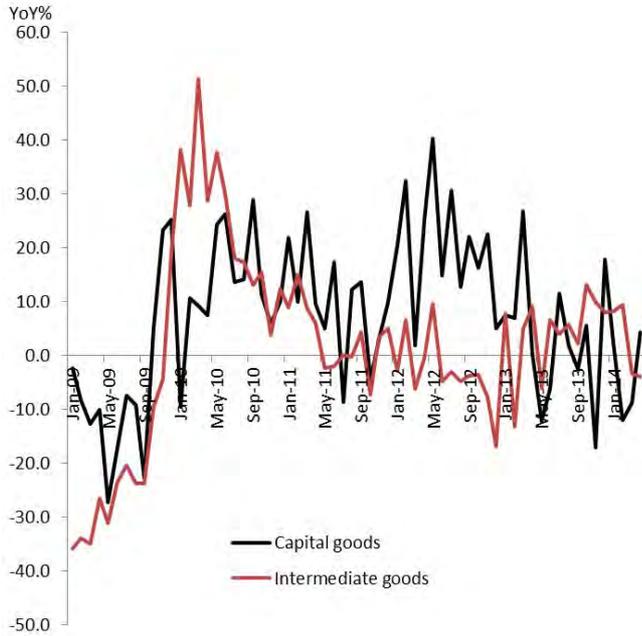


Chart 6: Our total trade with key markets edged up for Jan- Apr 14; but mixed on monthly basis

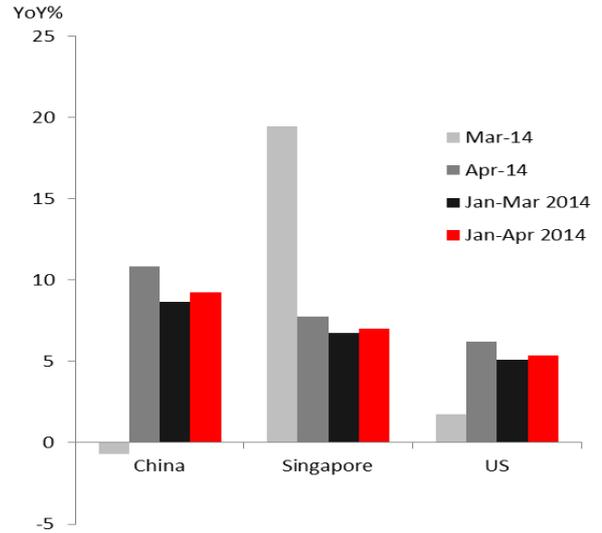
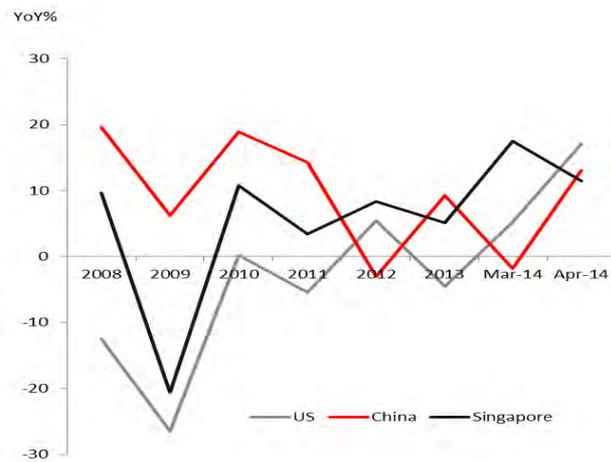


Chart 7: Exports to US and China picked up but that to Singapore slowed down



Source for all charts: DoS, BNM

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BUY	Total return is expected to be >15% over the next 12 months.
TRADING BUY	Stock price is expected to <i>rise</i> by >15% within 3-months after a Trading Buy rating has been assigned due to positive newsflow.
NEUTRAL	Total return is expected to be between -15% and +15% over the next 12 months.
SELL	<i>Negative</i> total return is expected to be -15% over the next 12 months.
TRADING SELL	Stock price is expected to <i>fall</i> by >15% within 3-months after a Trading Sell rating has been assigned due to negative newsflow.

SECTOR RECOMMENDATIONS

POSITIVE	The sector is expected to outperform the overall market over the next 12 months.
NEUTRAL	The sector is to perform in line with the overall market over the next 12 months.
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