

7 January 2015

## MALAYSIA

### November's External Trade – Higher on modest rebound of exports

- November's trade surplus widened to RM11.1b - the best performance so far for 2014 - on rebound of exports as imports slumped.
- Exports rebounded mainly due to improved demand for manufactured goods, led by exports of E&E and chemical & chemical products. That was on the back of improved demand from major markets namely, USA, Japan and the EU. However, exports to China continued to pose a drag.
- Trade for the first eleven months continue to improve at +6.6% yoy, signaling Malaysia will end 2014 on a higher note than the year before.

**Exports rebounded with imports narrowed.** November's exports rebounded to +2.1% yoy (October 14: -3.2% yoy; Consensus: -0.9% yoy) while imports narrowed to +0.1% yoy (Oct 14: +9.1% yoy; Consensus: +8.2% yoy) resulting in a higher trade surplus of RM11.1b (Oct 14: RM1.1b). Incidentally the trade surplus recorded for November is the highest recorded for 2014 and the highest ever recorded for the month of November. Imports for November of RM52.6b is similar for the year before at RM52.5b. The trade surplus of RM11.1b is the highest recorded for since November 2011. In terms of monthly growth exports declined by -2.0% mom (Oct 14: +0.8% mom) whilst imports declined by -17.7% mom (Oct 14: +15.8% mom).

**Trade for the first eleven months continued to improve than the year before.** Total trade for the period between January to November 2014 was up by +6.6% yoy (YTD 2013: +3.6% yoy) due exports growing at 6.8% yoy (YTD 2013: +1.4% yoy) versus imports growth of +5.4% yoy ((YTD 2013: +6.3% yoy) which led to a trade surplus of RM73.9b (YTD 2013: RM61.5b). Growth in the first eleven months was driven by export of manufactured goods which expended by 7.3% yoy (contributed by higher exports of E&E products by 7.4% yoy) and exports of mining goods which rose 8.0% yoy. Growth in exports was supported by major markets namely, ASEAN (+4.4% yoy), the EU (+6.5% yoy), Japan (+4.8% yoy) and the USA at 9.4% yoy.

**Table 1: Malaysia-External Trade Summary**

	May-14	Jun-14	Jul-14	Aug-14	Sep-14	Oct-14	Nov-14	YTD 2014	2013
<b>Exports (RMb)</b>	64.8	61.2	61.1	63.9	64.5	65.1	63.7	698.4	719.8
% YoY	16.2	7.9	0.6	1.6	2.0	(3.2)	2.1	6.8	2.4
% MoM	(2.1)	(5.5)	(0.2)	4.5	1.0	0.8	(2.0)		
<b>Imports (RMb)</b>	59.2	57.1	57.5	60.0	55.2	63.9	52.6	624.5	649.1
% YoY	11.8	8.9	(0.7)	7.6	1.1	9.1	0.1	5.4	7.0
% MoM	2.9	(3.5)	0.6	4.4	(8.0)	15.8	(17.7)		
<b>Total Trade (RMb)</b>	124.0	118.3	118.6	123.9	119.7	129.0	116.3	1,323.0	1368.9
% YoY	14.1	8.4	0.0	4.4	1.6	2.5	1.2	6.6	4.5
% MoM	0.2	(4.6)	0.2	4.5	(3.4)	7.7	(9.8)		
<b>Trade Balance (RMb)</b>	5.6	4.1	3.6	3.9	9.3	1.1	11.1	73.9	70.7
<b>Import Components</b>									
<b>Consumption (RMb)</b>	4.2	4.3	4.2	4.2	4.0	4.3	4.0	45.7	47.5
% YoY	4.9	7.6	(8.9)	8.5	(1.0)	5.9	(1.7)	5.9	8.7
<b>Capital</b>	8.4	8.8	7.3	8.6	6.9	7.7	8.0	86.6	98.8
% YoY	8.5	15.1	(18.7)	9.7	(19.4)	(1.7)	6.1	(2.0)	2.8
<b>Intermediate</b>	34.6	33.7	34.7	37.6	35.0	41.1	31.4	374.8	379.2
% YoY	10.4	2.7	2.8	19.8	11.2	21.2	3.4	7.3	4.3

Source: DOS, MIDFR

**Exports for November improved due to better performance of manufactured goods.** November's manufacturing exports rose by 4.6% due to the rebound in exports of E&E at 7.1% yoy (Oct 14: -4.3% yoy) and chemicals & chemical products at 10.4% yoy (Oct 14: -3.4% yoy). Exports of mining goods declined marginally at -0.4% yoy dragged down by decline in exports of LNG at -7.3% yoy (Oct 14: +9.7% yoy). However crude petroleum continues to improve at +12.5% yoy (+2.5% yoy). Exports of agricultural goods dropped by -14.4% yoy attributed to decline in exports of palm oil and crude natural rubber due to lower volumes and prices. On a month-to-month basis, exports E&E and crude petroleum rebounded to +7.4% mom (-6.9% mom) and +1.5% mom (-6.1% mom) respectively. Palm oil continues its decline for the second month in a row at -17.5% mom (-10.8% mom).

**Demand for Malaysian goods improved from major economies.** Exports to major markets with the exception of China continue to underpin Malaysia's trade performance. Exports to the USA surged higher to +16.6% yoy (Oct 14: +7.5% yoy) led by exports of E&E (22.3% yoy) as well as optical & scientific equipment. Exports to Japan rebounded to +9.6% yoy (Oct 14: -4.7% yoy) thanks to improved exports of mining goods at 17.9% yoy led by improved demand of LNG (+19.7 yoy), manufactures of metal and petroleum products. Exports to the EU also rebounded to +8.6% yoy (-3.8% yoy) attributed to growth of exports in E&E at 25.7% yoy. The top three contributors to the E&E growth in November 2014 were the Netherlands, Greece and the United Kingdom.

China continues to drag down Malaysia's export performance. Exports declined by -14.6% yoy (Oct 14: -17.9% yoy) the 7<sup>th</sup> straight month of decline. Lower exports of manufactures of metal, petroleum products and crude natural rubber dragged down exports for November. However, exports of E&E product which accounted for 47.7% of total exports to the PRC grew by 3.5% or RM138.3 million to RM4.07 billion. The sharp decline in exports was partly attributed to slower demand which was reflected from significant drop in China's global imports in November 2014 by 6.7%, the biggest fall since March 2014.

**Table 2: Malaysia-Exports (% YoY)**

	Mar-14	Apr-14	May-14	Jun-14	Jul-14	Aug-14	Sep-14	Oct-14	Nov-14
<b>Total Exports</b>	<b>65.0</b>	<b>66.2</b>	<b>64.8</b>	<b>61.2</b>	<b>61.1</b>	<b>63.9</b>	<b>64.5</b>	<b>65.1</b>	<b>63.7</b>
<b>Exports by Key Country/Region</b>									
ASEAN	10.9	17.5	14.2	9.6	1.7	1.2	3.3	0.9	13.3
USA	5.2	17.1	13.8	9.5	4.5	6.3	16.2	7.5	16.0
EU	14.1	20.7	23.4	3.9	8.9	5.7	2.2	(3.8)	8.6
Japan	(0.9)	16.5	11.4	(2.6)	(22.1)	9.9	(1.6)	(4.7)	9.6
China	(1.8)	13.1	(0.4)	(1.9)	(14.4)	(21.8)	(8.4)	(17.9)	(14.6)
Hong Kong	15.5	58.5	40.3	27.0	18.0	14.9	4.2	(8.0)	(4.8)
Indonesia	9.2	11.7	28.2	4.7	(34.6)	(21.3)	17.0	(8.9)	6.6
Australia	46.0	28.0	58.8	11.1	16.7	7.5	10.8	(14.4)	(2.7)
India	(1.6)	4.8	41.5	13.9	36.2	63.1	56.2	1.0	31.7
Taiwan	41.6	44.6	24.7	70.7	23.0	(12.1)	(4.6)	12.2	(6.5)
South Korea	10.1	26.8	4.6	10.6	(0.8)	9.1	(7.4)	10.4	(36.4)
<b>Exports by Major Products</b>									
E&E	6.2	22.0	12.4	5.5	(1.0)	3.9	5.5	(4.3)	7.1
Chemicals & Chemical Prod.	11.0	(8.5)	9.0	(6.3)	(7.0)	1.4	(7.0)	(3.4)	10.4
Crude Petroleum	(6.6)	37.1	73.4	24.5	26.2	21.4	(9.0)	2.5	12.5
LNG	3.2	31.8	17.3	11.2	(22.9)	1.9	2.7	9.7	(7.3)
Palm Oil	3.6	(4.0)	17.2	5.3	16.7	(0.8)	22.1	(0.3)	(13.3)
Petroleum Products	35.2	40.9	50	12.3	31.2	(24.7)	(5.3)	(11.4)	(6.1)

Source: DOS, MIDFR

**Exports to ASEAN improved in November.** Exports to ASEAN surged to +13.3% yoy (Oct 14: +0.9% yoy) driven by higher exports of crude petroleum, petroleum products as well as manufactures of metal. Growth was underpin by surging exports to Singapore and Thailand at +18.0% yoy and +18.4% yoy respectively (Oct 14:


+2.0% yoy and +0.9% yoy respectively). Exports to Singapore were led by exports of manufactured goods at +14.9% yoy led by exports of petroleum products (+33.2% yoy), manufactured metal (+65.5% yoy) and optical & scientific equipment (+25.8%). Exports to Thailand were driven mainly by exports of mining goods and manufactured goods (+10.9% yoy).

**Table 3: Malaysia-Exports on selected ASEAN Countries**

		Apr-14	May-14	Jun-14	Jul-14	Aug-14	Sep-14	Oct-14	Nov-14
Singapore	RMb	9.3	8.9	8.4	9.9	9.3	9.0	9.4	8.9
	% YoY	11.5	8.2	6.5	16.6	7.5	8.7	2.0	18.0
	% MoM	(0.4)	(4.1)	(5.8)	17.3	(5.8)	(3.5)	4.1	(4.8)
Thailand	RMb	3.6	3.1	3.4	2.9	3.6	3.2	3.5	3.6
	% YoY	15.0	10.5	13.1	(16.2)	4.8	(14.1)	0.9	18.4
	% MoM	3.9	(13.7)	8.9	(13.5)	23.2	(11.8)	9.5	2.0
Indonesia	RMb	2.6	2.9	2.8	2.1	2.5	3.0	2.7	2.7
	% YoY	9.2	11.7	28.2	4.7	(34.6)	(21.3)	17.0	(8.9)
	% MoM	(11.7)	9.7	(1.4)	(27.4)	22.6	18.0	(10.4)	0.9
Vietnam	RMb	1.2	1.1	1.1	1.1	1.1	1.3	1.3	1.5
	% YoY	32.2	2.6	29.6	0.6	(3.0)	(11.8)	1.4	18.4
	% MoM	1.5	(15.2)	8.5	(1.4)	(5.5)	19.2	(0.6)	19.3

Source: DOS, MIDFR

**Import performance tapering led by intermediate and consumption goods.** Imports of consumption goods declined by -1.7% yoy (+5.9% yoy) and intermediate goods moderated by +3.4% yoy (Oct 2014: 21.2% yoy). Capital goods rebounded to +6.1% yoy (-1.7% yoy) due to imports of lumpy items (mainly aircraft).

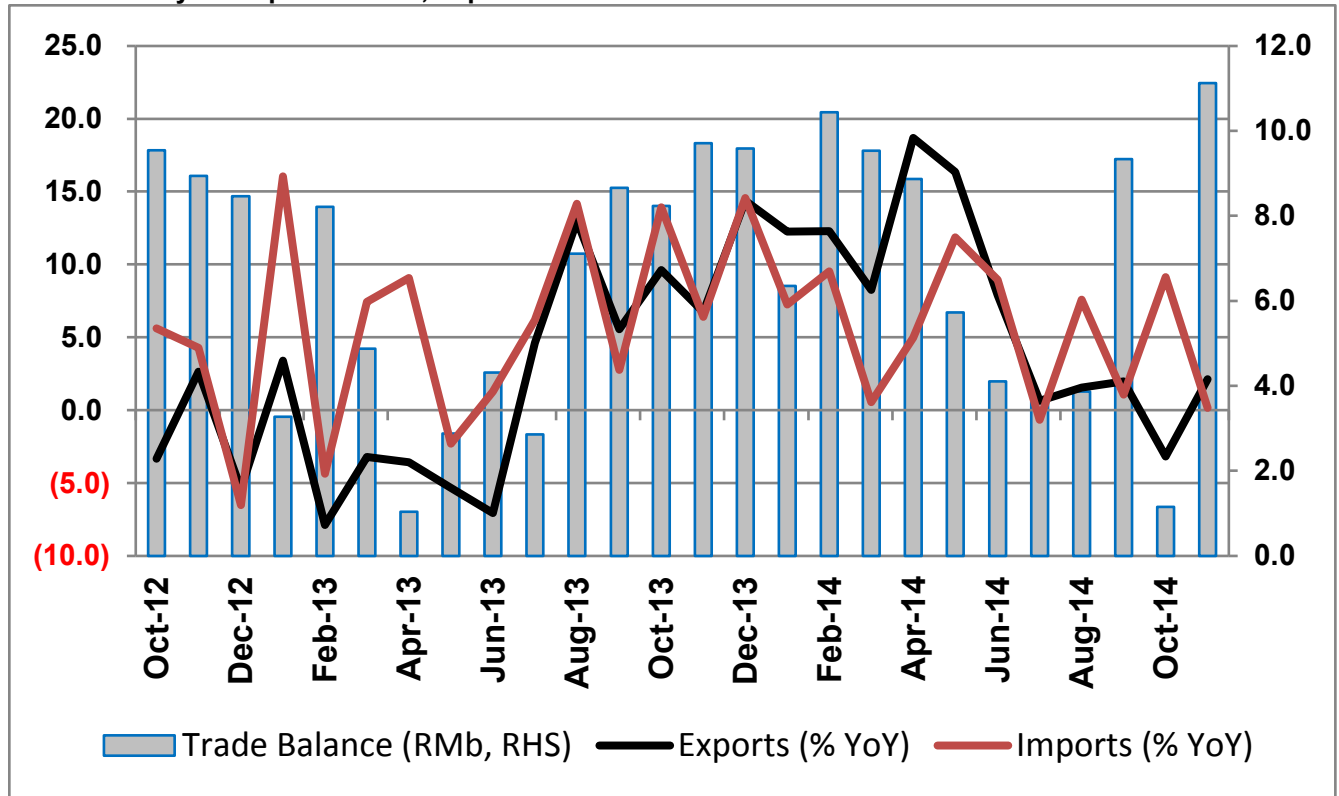
**Global economy looks improving.** Major economies except for China seemed to be improving. The economies of the USA, Japan seemed to be in an expansionary phase judging from their Manufacturing PMI results. Looking forward Malaysia's trade looks likely to be supported by the E&E industry but overall exports will moderate as the economies of other major trading partners continue to be uneven. 

**Table 4: Global Manufacturing PMI**

	Apr-14	May-14	Jun-14	Jul-14	Aug-14	Sep-14	Oct-14	Nov-14	Dec-14
<b>Global</b>	<b>51.9</b>	<b>52.2</b>	<b>52.6</b>	<b>52.5</b>	<b>52.6</b>	<b>53.6</b>	<b>52.2</b>	51.8	51.6
US (ISM)	54.9	55.4	55.3	57.1	59	56.6	59.0	58.7	55.5
US (Markit)	55.4	56.4	57.3	55.8	57.9	57.5	55.9	54.8	53.9
Eurozone (Markit)	53.9	52.2	51.8	51.8	50.7	50.3	50.6	50.1	50.6
Japan (Markit)	49.4	49.9	51.5	50.5	52.2	51.7	52.8	52.0	52.1
China (HSBC)	48.1	49.4	50.7	51.7	50.2	53.5	50.4	50.0	49.6
China (NBI)	50.4	50.8	51	51.7	51.1	51.1	50.8	50.3	50.1
Brazil (HSBC)	49.3	48.8	48.7	49.1	50.2	49.3	49.1	48.7	50.2
India (HSBC)	51.3	51.4	51.5	53	52.4	51	51.6	53.3	54.5
Russia	48.5	48.9	49.1	51	51	50.4	50.3	51.7	48.9
S.Korea	50.2	49.5	48.4	49.3	50.3	48.8	48.7	49.0	49.9
Taiwan (HSBC)	52.3	52.4	54	55.8	56.1	53.3	52	51.4	50.0
Singapore	51.1	50.8	50.5	51.5	49.7	50.5	51.9	51.8	49.6
Indonesia (HSBC)	51.1	52.4	52.7	52.7	49.5	50.7	49.2	48.0	47.6

Source: Bloomberg, Trading Economics

Chart 1: Malaysia-Export Growth, Import Growth & Trade Balance



Source: DOS, MIDFR

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