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MALAYSIA

Nov trade numbers encouraging, signalling a sustained but modest expansion in exports and manufacturing sector.

Exports growth, while eased in November remained sturdy at 6.7% following 3 months of brisk positive growth as exports for E & E continued to firm up. Similar trend for Imports, (6.4%) supported by continued strength in Imports of Intermediate Goods which bodes well for the Manufacturing sector going forward, as it signals improved confidence among Manufacturers led by better outlook for external demand. Trade surplus widened to RMRM9.7bn from a month ago, signalling the Current Account surplus is set to rise in 4Q 13 and average at 3.0 – 3.5% of GNI for the whole year as we had expected.

Key takeaways from the release by Department of Statistics yesterday:

- **Exports of electrical & electronics goods (E&E) continued to pick up**, growing by 14.5% in November (Oct: 12.7%) as manufacturing activities in the US and hence, Asia improved further. The US ISM index for manufacturing in December eased slightly but remained at close to 3-year high while the Korean Leading Indicator which had been trending upwards, hovered at 3 ½ year high in November.
- **Exports also got a boost from exports of liquefied natural gas (LNG) which posted much stronger growth of 18.9% (Oct: 12.8%) and petroleum products**, although the latter's performance came off from the spectacular jump seen in the preceding 2 months.
- **Palm oil and palm-oil based products continued to pose a drag** to the overall exports performance mainly due to the depressed average unit value or price, which posted a decline of 12.0% YoY in the last 3 months.
- **Imports of intermediate goods took a breather during the month but growth remained robust** at 9.9% (Oct: 13.0%), in line with the improved global demand outlook for Manufactured goods, particularly the E & E. For exports to continue to show firm upward trend, we need to see Imports of Intermediate goods to continue to expand given the high need for imported items for our E&E manufacturing sector.
- **The decline in Imports of capital goods was a blessing at a time when we need to see Imports for Intermediate goods to pick up and Current Account balance to improve.** Imports for capital goods contracted sharply, by 16.9% in November (Oct: 6.0%), reflecting that Fixed Investment or Capital Expenditure may take a breather in the coming months although it is worth noting that this category of imports is rather volatile and lumpy in nature. Therefore, while we do anticipate the slowdown in public investment projects will see this type of imports to slow down, it may not be as dramatic and it may bounce up again, albeit at a moderate pace in the near term.
- **Imports of consumption goods continued to edge up, indicating a robust domestic consumer spending, in spite of the various price hikes on domestic goods and services.** Imports of consumption goods posted stronger growth of 7.8% in November compared to 5.9% in October.



Table 1: Breakdown of trade performance

| | <u>Nov'13</u> | <u>Oct'13</u> | <u>Sep'13</u> | <u>3Q 13</u> | <u>Jan-Nov 2013</u> | <u>2012</u> |
|---|---------------|---------------|---------------|--------------|-------------------------|-------------|
| Trade balance – RM bn | 9.7 | 8.2 | 8.7 | 61.7 | 18.6 | 94.8 |
| Exports –YoY% | 6.7 | 9.6 | 5.6 | 7.6 | 1.4 | 0.9 |
| Imports –YoY% | 6.4 | 13.9 | 2.8 | 7.5 | 6.4 | 6.1 |
| Exports by selected commodities (YoY%) | | | | | | |
| E & E | 14.5 | 12.7 | 2.0 | 5.4 | 2.0 | -2.6 |
| LNG | 18.9 | 12.8 | 5.5 | 23.4 | 6.3 | 14.5 |
| Palm oil and palm-oil based | -9.3 | -9.4 | -11.0 | -7.8 | -14.3 | -12.0 |
| Petroleum products | 18.7 | 29.1 | 36.3 | 31.7 | 13.0 | 44.0 |
| Crude petroleum | -8.2 | 9.1 | 22.2 | 18.1 | -3.5 | -1.5 |
| Timber and timber-based | | | | | | |
| Imports by End-use (YoY%) | | | | | | |
| Imports of Intermediate Goods | 9.9 | 13.0 | 2.2 | 4.0 | -6.7 | -3.4 |
| Imports of Capital Goods | -16.9 | 6.0 | -2.0 | 3.6 | -6.2 | 19.6 |
| Imports of Consumption Goods | 7.8 | 5.9 | 6.6 | 9.7 | 8.0 | 10.7 |

Source: DoS, BNM

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MIDF AMANAH INVESTMENT BANK : GUIDE TO RECOMMENDATIONS

STOCK RECOMMENDATIONS

| | |
|--------------|--|
| 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. |
| NEGATIVE | The sector is expected to underperform the overall market over the next 12 months. |