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ECONOMIC REVIEW | October 2022 External Trade

Moderation in Malaysia's Exports Continue amid Softening Global Demand

- *Exports growth remained on double-digit pace. Malaysia's external trade performance was still robust in Oct-22, although from an annual growth perspective it was relatively slower than previous months. Growth in total trade was more moderate at +21.1%yoy in Oct-22, slowest pace in eight months. Exports grew further at +15%yoy, maintaining double-digit growth for the 15th consecutive month.*
- *Exports to the US and China moderated. Malaysia's outbound shipments to the US and China moderated to single-digit rate of +8.8%yoy and +4.3%yoy respectively. Tightening monetary policy and inflationary pressure could be the downside pressures on the US side while limited local economic activities in China are among factors causing the slowdown.*
- *We keep our exports and imports forecasts at +26% and +30.5%, respectively. We maintain our projection for exports and imports to grow at +26% and +30.5%, respectively. Based on the latest data, external demand remained robust despite concerns over slowing global growth. We expect more moderate growth rates for both exports and imports in the final few months of 2022 as low-base effect diminishes.*

Exports growth remained on double-digit pace. Malaysia's external trade performance was still robust in Oct-22, although from an annual growth perspective it was relatively slower than previous months. Growth in total trade was more moderate at +21.1%yoy in Oct-22, slowest pace in eight months. Exports grew further at +15%yoy, maintaining double-digit growth for the 15th consecutive month. Although the pace of growth in Oct-22 was lower than market consensus' estimate of +24.7%yoy, the moderation was as we expected given the higher base in Oct-21. On another note, growth in re-exports remained relatively stronger at +31.6%yoy (Sep-22: +46.4%yoy) vis-à-vis domestic export growth which moderated to +10.8%yoy (Sep-22: +25.8%yoy). Similarly, import growth slowed to +29.2%yoy in Sep-22, slightly lower than market consensus' +30.8%yoy. Nevertheless, the continued double-digit import growth since Feb-21 suggests the positive effect from economic reopening and growing domestic economic activities.

Positive signal by capital goods imports. Excluding re-exports, retained imports rose by +28.3%yoy, higher than the previous month. Moderation in total imports could be due to softening inbound shipments of intermediate and consumption goods. However, the pace of both imports remained strong reflecting upbeat domestic industrial activities and robust local demand. Capital goods imports, on the other hand, strengthened to +42.1%%yoy, the fastest pace since May-21. We believe the upsurge in capital goods imports could be attributed by purchases of aeroplanes, oil & gas machineries and industrial equipments. This was in tandem with the effects of international borders reopening, benefits of elevated commodity prices and easing in global supply chain constraints.

Table 1: Malaysia's External Trade Summary

	Apr-22	May-22	Jun-22	Jul-22	Aug-22	Sep-22	Oct-22
Exports (RMb)	127.6	120.5	146.0	134.1	141.3	144.3	131.6
% YoY	20.8	30.4	38.7	38.0	48.1	30.1	15.0
% MoM	(3.0)	(5.6)	21.2	(8.2)	5.4	2.1	(8.7)

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	Apr-22	May-22	Jun-22	Jul-22	Aug-22	Sep-22	Oct-22
Imports (RMb)	104.1	107.8	124.2	118.5	124.2	112.4	113.5
% YoY	22.1	37.3	49.2	41.8	67.3	32.8	29.2
% MoM	(0.8)	3.5	15.2	(4.6)	4.8	(9.5)	1.0
Total Trade (RMb)	231.7	228.3	270.2	252.6	265.5	256.7	245.2
% YoY	21.4	33.6	43.3	39.8	56.5	31.3	21.1
% MoM	(2.0)	(1.5)	18.4	(6.5)	5.1	(3.3)	(4.5)
Trade Balance (RMb)	23.5	12.7	21.9	15.6	17.0	31.8	18.1
Import Components							
Retained (RMb)	80.0	83.4	88.7	86.5	89.4	78.6	83.1
% YoY	23.6	28.4	41.8	37.4	54.5	27.7	28.3
Intermediate (RMb)	59.7	63.1	64.4	61.8	66.4	58.6	60.6
% YoY	28.1	34.2	46.8	32.1	56.1	35.2	26.3
Capital (RMb)	9.1	8.8	11.1	10.9	10.2	11.6	11.8
% YoY	(2.6)	(1.8)	29.9	29.1	22.0	28.0	42.1
Consumption (RMb)	8.3	8.5	9.3	8.5	9.0	8.8	8.5
% YoY	9.9	19.0	25.8	33.1	42.2	28.2	21.6

Note: MoM is non-seasonally adjusted figure
Source: Macrobond, MIDFR

Exports to the US and China moderated. Malaysia's outbound shipments to the US and China moderated to single-digit rate of +8.8%yoy and +4.3%yoy respectively. Tightening monetary policy and inflationary pressure could be the downside pressures on the US side while limited local economic activities in China are among factors causing the slowdown. Similarly, exports to EU softened to more than one-year low at +7%yoy. By Asean countries, exports growth to the main five countries still in strong pace. Moving forward, we view Malaysia's outbound shipments to major economies namely the US and EU to remain moderate amid the effects of tightening monetary policy, elevated inflationary pressure and pessimistic business as well as consumer sentiments.

Table 2: Malaysia's Exports (YoY%)

Exports by Key Country / Region	% of Total Exports			YoY%		
	Aug-22	Sep-22	Oct-22	Aug-22	Sep-22	Oct-22
China	13.1	13.9	14.0	21.3	8.0	4.3
USA	10.6	11.3	10.4	38.1	32.5	8.8
Japan	6.5	6.9	6.5	41.5	74.3	25.7
India	3.3	3.1	2.9	49.6	5.7	(9.7)
Hong Kong	6.7	7.1	5.6	57.0	30.4	18.5
Australia	2.7	3.7	3.9	38.1	120.1	37.1
EU	7.1	7.3	7.4	30.7	19.0	7.0
ASEAN	28.0	26.6	28.5	54.7	31.7	24.2
Singapore	14.7	14.6	14.8	54.5	29.1	26.4
Thailand	4.1	3.1	4.5	58.6	4.5	21.6
Indonesia	4.7	4.0	3.8	110.2	53.3	28.8

Vietnam	2.5	3.3	3.8	9.7	65.8	18.5
Philippines	1.9	1.6	1.6	33.0	21.1	15.5

Source: Macrobond, MIDFR

Continued support from higher demand for oil & gas. By major sectors, Malaysia's exports continued to benefit from rising global demand for E&E and oil & gas products. Exports of manufactured goods (share: 84.5% of total exports) rose by +12.6%yoy in Oct-22, still backed by surging demand for refined petroleum products (+80.9%yoy) and E&E (+19%yoy). E&E exports alone contributed 38% of total outbound shipments, largely due to robust demand for semiconductors and followed by telecommunication equipment & parts. Meanwhile, exports of mining goods increased strongly by +85.9%yoy, boosted mainly by stronger LNG exports (+127.8%yoy) and Crude oil (+103.4%yoy). Meanwhile, agriculture exports growth had its first contraction after 21-months. The agriculture overseas sales were dragged by decline in natural rubber and others agriculture products. Palm oil, the main agriculture exports grew marginally by +2.6%yoy, the smallest gain since Jan-21.

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

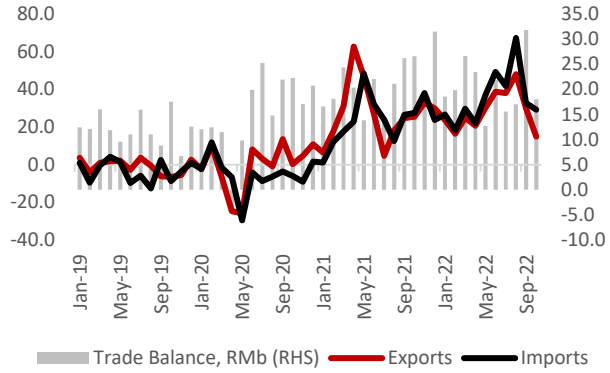
Exports by Product	% of Total Exports			YoY%		
	Aug-22	Sep-22	Oct-22	Aug-22	Sep-22	Oct-22
Agriculture	7.4	7.2	6.5	42.4	8.1	(7.0)
Natural Rubber	0.3	0.3	0.2	6.5	(10.1)	(34.1)
Saw log	0.0	0.0	0.0	21.7	82.6	31.9
Sawn Timber & Mouldings	0.2	0.2	0.2	56.2	(5.9)	3.5
Palm Oil	5.0	4.9	5.0	57.6	8.3	2.6
Others	1.8	1.8	0.6	17.7	11.4	(61.2)
Manufacturing	84.6	84.7	84.5	47.6	28.6	12.6
Electrical & Electronic Products	36.2	39.8	38.0	49.4	39.9	19.0
Chemical & Chemical Products	4.7	4.8	5.0	15.2	14.5	0.3
Machinery, Equipment & Parts	4.0	3.7	3.7	42.2	26.6	2.6
Petroleum Products	14.3	12.0	13.8	180.3	83.3	80.9
Manufactures of Metal	3.6	3.4	3.5	8.4	(26.6)	(41.4)
Transport Equipment	1.1	1.2	1.2	48.2	38.3	3.1
Optical & Scientific Equipment	3.5	3.7	3.7	44.0	32.2	13.4
Processed Food	1.8	1.7	1.8	22.1	17.5	5.4
Textiles, Apparels & Footwear	1.1	1.0	1.0	20.2	10.8	(2.2)
Iron & Steel Products	2.1	1.9	2.1	19.3	(9.1)	(2.6)
Manufacture of Plastics	1.0	1.0	1.1	17.5	12.3	(1.7)
Paper & Pulp Products	0.6	0.6	0.7	21.4	14.1	17.1
Rubber Products	1.6	1.5	1.4	(50.2)	(45.7)	(45.7)
Palm Oil-Based Manufactured Products	2.4	2.3	2.5	23.0	17.9	8.7
Non-Metallic Mineral Products	0.8	0.7	0.8	40.5	18.2	9.2
Beverages & Tobacco	0.2	0.2	0.2	21.5	18.4	12.1
Jewellery	0.5	0.5	0.5	109.8	46.3	5.1
Wood Products	1.0	1.0	1.0	51.5	32.1	(13.8)
Others	4.0	3.7	2.6	79.6	21.8	0.4
Mining	7.6	7.7	8.5	58.7	89.0	85.9

Exports by Product	% of Total Exports			YoY%		
	Aug-22	Sep-22	Oct-22	Aug-22	Sep-22	Oct-22
Tin	0.1	0.1	0.1	13.7	(19.7)	(34.0)
Crude Petroleum	2.2	2.1	2.3	106.3	74.3	103.4
Liquefied Natural Gas	4.4	4.5	5.5	72.9	142.0	127.8
Others	0.9	1.0	0.7	(19.8)	10.5	(27.1)
Others	-51.9	-48.6	-50.8	73.8	46.2	45.9

Source: Macrobond, MIDFR

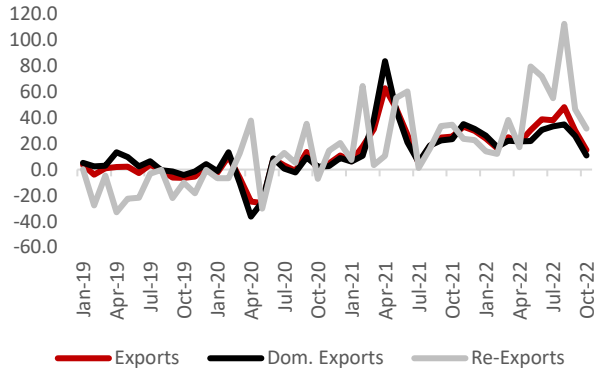
We keep our exports and imports forecasts at +26% and +30.5%, respectively. We maintain our projection for exports and imports to grow at +26% and +30.5%, respectively. Based on the latest data, external demand remained robust despite concerns over slowing global growth. We expect more moderate growth rates for both exports and imports in the final few months of 2022 as low-base effect diminishes. Thus far, exports and imports rose by +28.5%yoy and +35.4%yoy, respectively, in 10MCY22. Trade sector stands to benefit from elevated commodity prices, growing external demand for E&E and commodities (i.e. petroleum and palm oil), and continued rise in global production and international trade activities. Imports would expand further on the back of growing domestic demand, and increased business activities and consumer spending. Nevertheless, we opine there are several risks to near-term trade outlook, mostly from external uncertainties such as deterioration in global growth outlook, weaker final demand (as a result of rising inflation and borrowing costs), and escalation of geo-political tensions.

Chart 1: Exports & Imports (YoY%) vs Trade Balance (RM b)



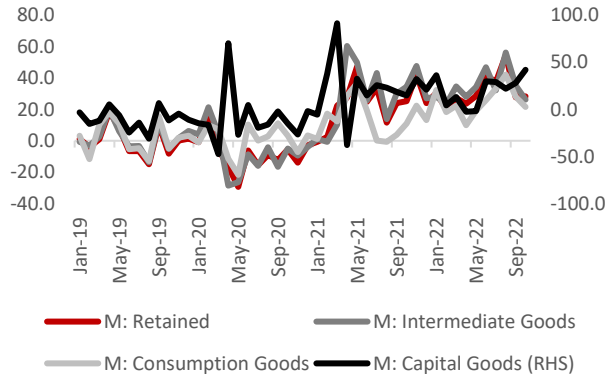
Source: Macrobond, MIDFR

Chart 2: Exports Growth by Type (YoY%)



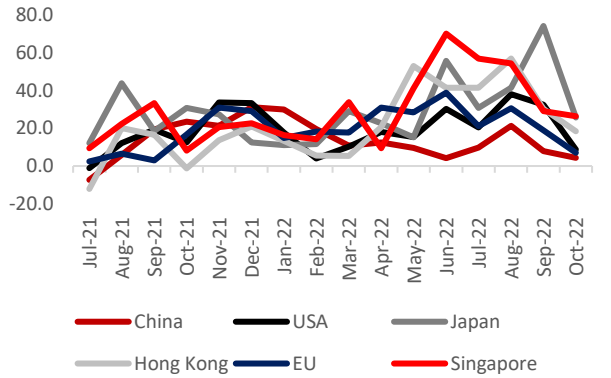
Source: Macrobond, MIDFR

Chart 3: Imports by End-Use (YoY%)



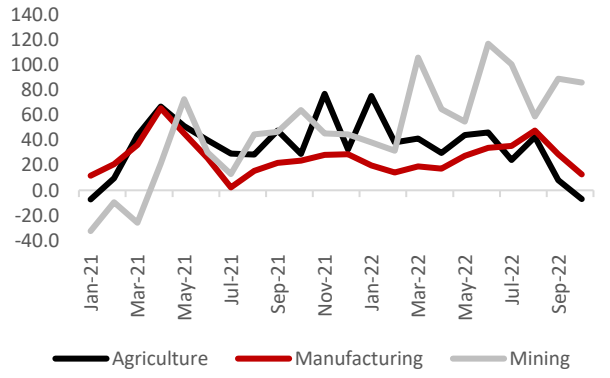
Source: Macrobond, MIDFR

Chart 4: Exports by Major Trading Partners (YoY%)



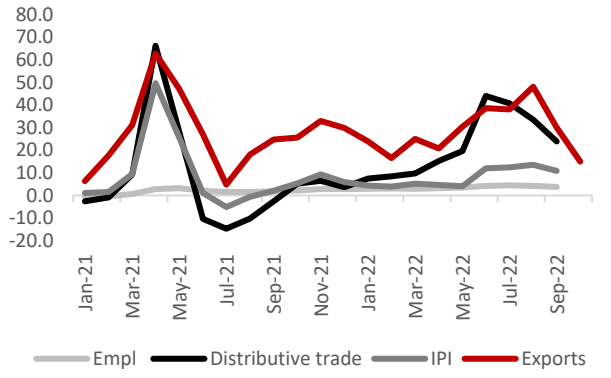
Source: Macrobond, MIDFR

Chart 5: Exports by Sector (YoY%)



Source: Macrobond, MIDFR

Chart 6: Exports vs Macro Indicators (YoY%)



Source: Macrobond, MIDFR

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