19 December 2022

## ECONOMIC REVIEW | November 2022 External Trade

# Exports Rose +15.6%yoy in Nov-22 Mainly Driven by Robust E&E Shipments

- *Exports growth accelerated to +15.6%yoy. Malaysia's external trade performance was more robust, looking at encouraging exports performance in Nov-22. Total trade growth remained in positives albeit moderated further to +15.7%yoy in Nov-22. Exports grew faster at +15.6%yoy (Oct-22: +14.9%yoy) with stronger exports to major markets strengthened and higher E&E exports.*
- *Stronger exports of E&E and crude petroleum. Malaysia continued to benefit from increased external demand for manufactured goods and commodities. By major sectors, the +15%yoy growth in exports of manufactured goods (share: 84.6% of total exports) was supported by stronger shipments of E&E, petroleum products and transport equipment.*
- *Exports and imports to grow at +27.1% and +32%, respectively, this year. We predict robust growth for both exports and imports at 27.1% and +32%, respectively, this year. Overall exports growth for 2022 has been better than expected on the back of strong global demand for E&E and commodities (i.e. petroleum and palm oil), which was also influenced by fluctuation in global commodity prices.*

**Exports growth accelerated to +15.6%yoy.** Malaysia's external trade performance was more robust, looking at encouraging exports performance in Nov-22. Total trade growth remained in positives (higher than last year) albeit moderated further to +15.7%yoy in Nov-22 as the value of monthly trade slowed to RM238.2b due to sequential declines in both exports and imports. Exports grew at +15.6%yoy (Oct-22: +14.9%yoy), maintaining double-digit growth for the 16th consecutive month. The sustained growth was somewhat better than ours and market consensus as exports to major markets strengthened and largely driven by higher E&E exports. The pick-up was also a result of higher re-exports (Nov-22: +41.8%yoy; Oct-22: +31.6%yoy) amid sustained domestic export growth (Nov-22: +10.5%yoy; Oct-22: +10.7%yoy). Imports growth, on the other hand, moderated to +15.7%yoy (Oct-22: +28.8%yoy), sustaining double-digit for Aug-21. The higher imports was driven by purchases for foreign-made consumption goods, in line with robust domestic spending facilitated by the economic reopening and recovery in labour market and income growth.

**Trade balance rose to RM22.3b.** Monthly trade surplus climbed to RM22.3b in Nov-22 (Oct-22: RM18.1b), mainly because imports fell sharper (-4.9%mom) than exports (-1%mom). The increase in surplus was attributable to higher surplus of RM19.9b from manufactured goods trade, mainly driven by higher surplus in trade of E&E products and smaller deficit in trade of transport equipment. Trade of mining goods improved and turned to surplus (Nov-22: +RM0.4b; Oct-22: -RM1.3b) as smaller deficit in crude petroleum trade pose a smaller drag to the sector, in contrast to sustained surplus in LNG trade. Agriculture goods trade also registered surplus, but the increase was limited because higher surplus from palm-oil products were offset by larger deficits in trade of other vegetable oil and natural rubber.

**Increased purchase of consumption goods.** Although annual growth for imports at +15.7%yoy was nearly halved compared to previous month, the growth in Nov-22 was supported by stronger imports of consumption goods (+23.6%yoy). This suggests increased consumer spending continued to support imports growth during the month. However, as local businesses reported concerns over slowing future demand (as highlighted in recent PMI surveys), we noticed weaker rise in imports for intermediate goods and capital goods, both moderated to single-

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digit growth at +8.2%yoy and 3.2%yoy, respectively. Looking at imports by major sector, approximately 63.4% of the Nov-22 imports growth was contributed by imports of manufactured products (+9.9ppt), mainly purchases of E&E products (+17.5%yoy); machinery, equipment & parts (+23.1%yoy); and, transport equipment (+32.3%yoy). The higher imports of transport equipment continued to indicate improved supply chain in the auto sector. In addition, another 32.5% (or +5.1ppt) of imports growth during the month was from higher imports of mining goods, especially crude petroleum (+214.5%yoy). Contribution of agriculture imports to imports growth was rather small, only +0.6ppt. Nevertheless, the agriculture imports only moderated to +10%yoy (Oct-22: +10.4%yoy), as the weaker imports of crude palm oil products were offset by higher imports of fresh seafood and other vegetable oil. We foresee continued dependency on foreign food sources (e.g. eggs) for domestic consumption will support agriculture imports going forward.

**Table 1: Malaysia's External Trade Summary**

| | May-22 | Jun-22 | Jul-22 | Aug-22 | Sep-22 | Oct-22 | Nov-22 |
|---|---|---|---|---|---|---|---|
| **Exports (RMb)** | 120.5 | 146.0 | 134.1 | 141.3 | 144.3 | 131.6 | 130.2 |
| % YoY | 30.4 | 38.7 | 38.0 | 48.1 | 30.1 | 14.9 | 15.6 |
| % MoM | (5.6) | 21.2 | (8.2) | 5.4 | 2.2 | (8.8) | (1.0) |
| **Imports (RMb)** | 107.8 | 124.2 | 118.5 | 124.2 | 112.6 | 113.5 | 107.9 |
| % YoY | 37.2 | 49.2 | 41.8 | 67.4 | 33.0 | 28.8 | 15.7 |
| % MoM | 3.5 | 15.2 | (4.6) | 4.8 | (9.4) | 0.8 | (4.9) |
| **Total Trade (RMb)** | 228.3 | 270.2 | 252.6 | 265.5 | 256.9 | 245.1 | 238.2 |
| % YoY | 33.5 | 43.3 | 39.8 | 56.6 | 31.4 | 21.0 | 15.7 |
| % MoM | (1.5) | 18.4 | (6.5) | 5.1 | (3.2) | (4.6) | (2.8) |
| **Trade Balance (RMb)** | 12.7 | 21.9 | 15.6 | 17.0 | 31.7 | 18.1 | 22.3 |
| | | | | | | | |
| **Import Components** | | | | | | | |
| **Intermediate (RMb)** | 63.1 | 64.4 | 61.8 | 66.4 | 58.6 | 60.7 | 59.3 |
| % YoY | 34.2 | 46.8 | 32.2 | 56.1 | 35.1 | 26.4 | 8.2 |
| **Capital (RMb)** | 8.8 | 11.1 | 11.0 | 10.2 | 11.8 | 11.7 | 9.8 |
| % YoY | (1.8) | 29.9 | 29.6 | 22.0 | 30.5 | 41.2 | 3.2 |
| **Consumption (RMb)** | 8.5 | 9.3 | 8.5 | 9.0 | 8.8 | 8.5 | 9.5 |
| % YoY | 19.0 | 25.8 | 33.2 | 42.2 | 28.2 | 21.6 | 23.6 |

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

**Moderation in exports to regional countries…** The moderate exports growth in Nov-22 was mainly attributable to moderation in exports to regional countries ASEAN countries, mainly due to slower shipments to Indonesia and lower exports to Vietnam and Philippines. Looking at the trade data with ASEAN, the downward drag was from weaker exports of palm oil products, both crude and manufactured. However, the sustained double-digit rise in Malayisa's exports to ASEAN countries continued to be driven by regional demand for E&E and processed petroleum products.

**…but stronger growth in exports to major markets.** In contrast, exports to other major markets, like China, US and Europe, strengthened during the month, thanks largely to higher exports of E&E products. To the Europe, the expansion in Nov-22 was also driven by increased purchases from EU countries for petroleum products and transport equipment. Exports to Japan also strengthened due to surging demand for LNG, and to Hong Kong

exports grew faster on strong demand for E&E exports. Thanks to surging demand for crude and refined petroleum products, exports to Australia also performed better. Going forward, we remained cautious on export outlook to US and Europe given indication of slowing growth and softer demand going into 2023. We continue to closely monitor Malaysia's exports with China as the strict Covid policy could affect near-term trade outlook. Thus far, the performance looked encouraging and held up well because it did not weaken as we estimated earlier, indicating the adverse impact to Malaysia's exports so far was smaller than anticipated. With pressures to relax Covid-19 measures, we opine the reopening of China's economy will be positive to trade outlook especially for next year.

**Table 2: Malaysia's Exports (YoY%)**

| | May-22 | Jun-22 | Jul-22 | Aug-22 | Sep-22 | Oct-22 | Nov-22 |
|---|---|---|---|---|---|---|---|
| **Total Exports (RMb)** | **120.5** | **146.0** | **134.1** | **141.3** | **144.3** | **131.6** | **130.2** |
| Re-exports (RMb) | 24.3 | 35.5 | 32.0 | 34.9 | 33.8 | 30.4 | 26.2 |
| Domestic Exports (RMb) | 96.1 | 110.6 | 102.1 | 106.4 | 110.5 | 101.2 | 104.1 |
| | | | | | | | |
| **Exports by Key Country / Region** | | | | | | | |
| China | 10.0 | 4.2 | 9.8 | 21.6 | 8.0 | 3.2 | 9.2 |
| USA | 15.4 | 30.4 | 20.5 | 38.1 | 32.5 | 8.8 | 11.8 |
| Japan | 14.8 | 51.5 | 30.8 | 44.6 | 74.6 | 27.1 | 31.6 |
| India | 12.9 | 39.2 | 51.6 | 49.5 | 5.7 | (9.8) | (1.7) |
| Hong Kong | 53.6 | 41.5 | 41.4 | 57.1 | 30.4 | 18.5 | 26.0 |
| Australia | 18.3 | 40.8 | 37.7 | 29.4 | 120.1 | 37.0 | 59.2 |
| EU | 30.1 | 38.9 | 21.2 | 30.7 | 19.0 | 6.9 | 16.3 |
| ASEAN | 44.2 | 53.7 | 55.6 | 59.0 | 31.5 | 25.9 | 16.9 |
| Singapore | 40.9 | 69.5 | 57.1 | 55.5 | 29.1 | 27.6 | 36.3 |
| Thailand | 37.9 | 24.0 | 39.4 | 47.2 | 4.6 | 21.6 | 23.4 |
| Indonesia | 60.7 | 74.5 | 67.0 | 109.6 | 53.3 | 28.7 | 9.9 |
| Vietnam | 24.9 | 16.4 | 23.0 | 9.6 | 65.8 | 18.5 | (25.2) |
| Philippines | 61.4 | 27.5 | 74.8 | 33.0 | 21.1 | 15.5 | (2.1) |

Source: Macrobond, MIDFR

**Stronger exports of E&E and crude petroleum.** Malaysia continued to benefit from increased external demand for manufactured goods and commodities. By major sectors, the growth of +15%yoy (Oct-22: +12.6%yoy) in exports of manufactured goods (share: 84.6% of total exports) was supported by stronger shipments of E&E (+32.1%yoy), petroleum products (+26.4%yoy) and transport equipment (+43.4%yoy). Like in previous months, the large part of exports growth came from E&E exports which contributed nearly three-quarters (or +11.5ppt) of the +15.6%yoy total exports growth in Nov-22, of which 84.2% of the growth in E&E exports were semiconductors and another 10.2% were telecommunication equipment & parts. For the mining sector, exports of mining goods continued to expand robustly at +62.6%yoy (Oct-22: +85.9%yoy), supported by mainly by stronger exports of crude petroleum (+96%yoy) and sustained (albeit relatively slower) growth in LNG exports (+69.5%yoy). On the other hand, agriculture sector's exports were a drag to Nov-22 exports because the contraction of -11.1% during the month was mainly a result of lower palm oil exports. We believe this can be due to the effect of lower CPO prices (Nov-22: RM4,073/tonne; Nov-21: RM5,248/tonne) and reduced shipments to India, Netherlands, Turkiye and Vietnam.

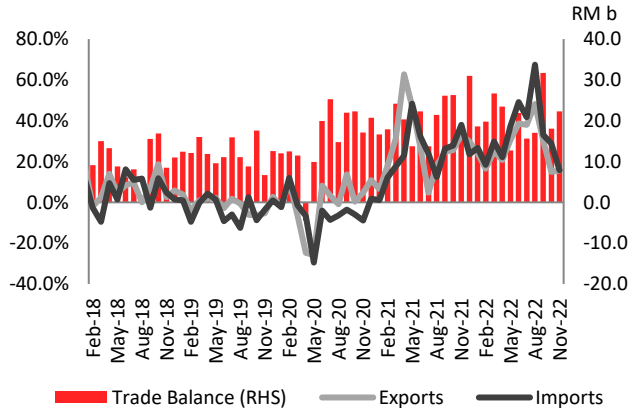
**Table 3: Malaysia's Exports by Major Products (YoY%)**

| | May-22 | Jun-22 | Jul-22 | Aug-22 | Sep-22 | Oct-22 | Nov-22 |
|---|---|---|---|---|---|---|---|
| E&E | 45.5 | 38.3 | 34.2 | 49.4 | 39.8 | 19.0 | 32.1 |
| Machinery, Equipment & Parts | 12.6 | 56.7 | 67.7 | 42.2 | 28.9 | 1.8 | 3.6 |
| Optical & Scientific Equipment | 11.7 | 25.7 | 36.3 | 44.0 | 32.2 | 13.7 | 18.0 |
| Palm oil & palm-oil based products | 59.4 | 42.5 | 26.5 | 39.5 | 9.7 | (5.0) | (12.1) |
| Crude Petroleum | 52.8 | 83.1 | 74.0 | 65.2 | 74.3 | 78.4 | 96.0 |
| Petroleum Products | 91.4 | 144.3 | 80.3 | 210.8 | 83.3 | 96.1 | 26.4 |
| LNG | 60.6 | 153.1 | 82.0 | 77.2 | 142.0 | 135.2 | 69.5 |
| Rubber products | (62.9) | (63.4) | (52.1) | (50.2) | (45.7) | (45.7) | (46.5) |

Source: Macrobond, MIDFR

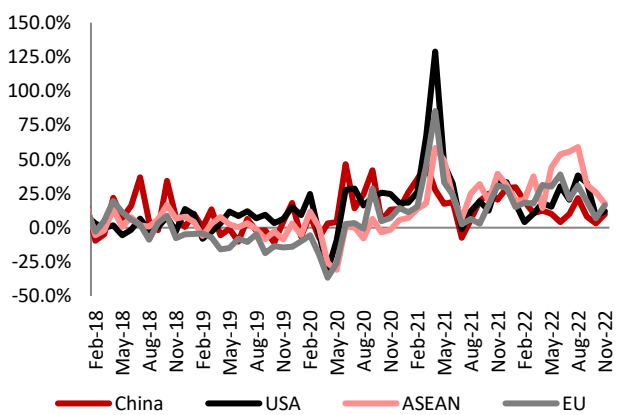
**Exports and imports to grow at +27.1% and +32%, respectively, this year.** As indicated in our 2023 outlook report, we predict robust growth for both exports and imports at 27.1% and +32%, respectively, this year. Overall exports growth for 2022 has been better than expected on the back of strong global demand for E&E and commodities (i.e. petroleum and palm oil), which was also influenced by fluctuation in global commodity prices. We opine the continued rise in global demand for these products would support Malaysia's export outlook going forward. Meanwhile, imports performance also exceeded our initial earlier predictions because the recovery in domestic spending this year was higher than expected. Although rate of growth has been moderating and more normalized because of the diminishing low base effect, we still expect imports to grow positively as we predict domestic demand will continue to increase next year. While we foresee external trade will grow further despite slower global growth next year, we keep a cautious view on several downside risks that could drag down trade outlook in 2023, such as: heightened recession risk and possibility of deeper slowdown in global growth; collapse in final demand amid elevated inflation and increased borrowing costs; and possible escalation geo-political tensions and trade war.

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



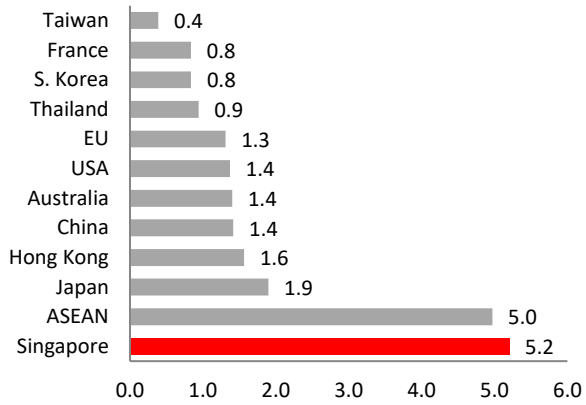

Source: Macrobond, MIDFR

**Chart 2: Exports Growth by Major Destination (YoY%)**



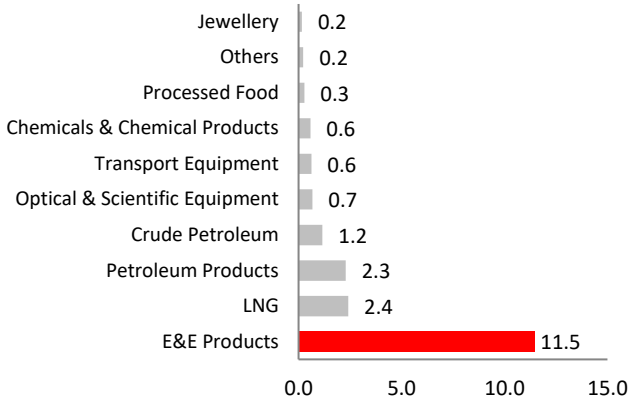

Source: Macrobond, MIDFR

**Chart 3: %-point Contribution to Total Exports Growth in Nov-22 by Major Destination**



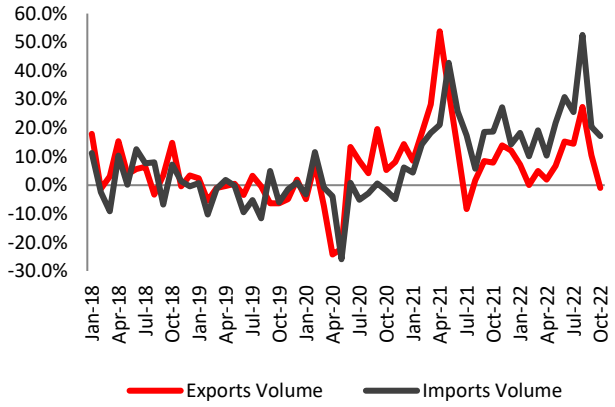

Source: Macrobond, MIDFR

**Chart 4: %-point Contribution to Total Exports Growth in Nov-22 by Key Products**



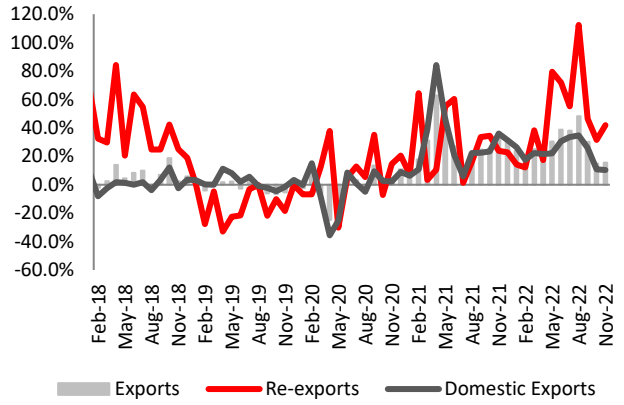

Source: Macrobond, MIDFR

**Chart 5: Exports vs Imports Volume (YoY%)**



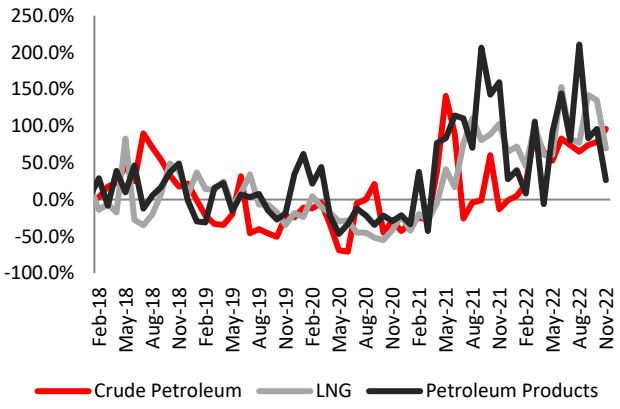

*Note: Latest available data as of Oct-22*
Source: Macrobond, MIDFR

**Chart 6: Exports: Domestic vs Re-exports (YoY%)**



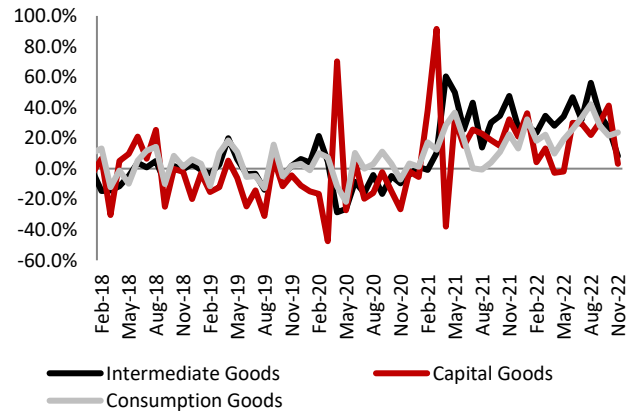

Source: Macrobond, MIDFR

**Chart 7: Exports of Selected Mining Goods (YoY%)**




Source: Macrobond, MIDFR

**Chart 8: Imports of Goods by Use (YoY%)**




Source: Macrobond, MIDFR

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