

**ECONOMIC REVIEW | February 2023 External Trade****Exports Rose Stronger by +9.8%yoy in Feb-23 Backed by Demand for Mining Goods and E&E Products**

- *Export growth jumped to +9.8%yoy in Feb-23. Export growth accelerated to +9.8%yoy in Feb-22 (Jan-23: +1.4%yoy), which exceeded market consensus (+4.2%yoy) and attributable to the lower base in Feb-22. The stronger growth in re-exports contributed about one-third of growth in Feb-23, and two-thirds of growth was from rebound in domestic exports.*
- *Stronger exports to the US and ASEAN. Exports to the US rebounded to +18.7%yoy, underpinned by higher E&E exports. Meanwhile, Malaysia's exports to ASEAN countries strengthened to +14.8%yoy, driven by demand for processed petroleum and E&E products.*
- *Increased exports of manufactured and mining goods. Exports of manufactured goods contributed approximately 82.4% (or +8.1%-point) of the overall export growth in Feb-23, on the back of higher shipments of refined petroleum and E&E products. Meanwhile, mining goods exports maintained positive growth, mainly driven by exports of LNG and crude petroleum.*
- *Maintain projection for both exports and imports this year. With the improvement in trade numbers in Feb-23, we maintain our projection that exports and imports will expand slower +9.2%yoy and +9.5%yoy, respectively, this year. Nevertheless, several downside risks to trade outlook could come from weaker global demand, elevated inflation, excessive policy tightening, and re-escalation in geo-political and trade tensions.*

**Total trade remained above RM200b.** Malaysia's total trade grew +11%yoy to RM205b in Feb-23, remaining above RM200b for the 12th straight month and growing for the 27th month since Dec-20. Relative to Feb-22, the size of trade was lower due to declines in both exports (-0.3%mom) and imports (-1.9%mom). Given the larger drop in imports, trade surplus increased to RM19.6b (Feb-23: RM18.1b). Although it was -1.1%yoy less than the surplus in Feb-22, higher surplus in trade of manufactured goods and agriculture goods contributed to the monthly increase. This was attributable to lower commodity prices as we noticed reduced imports of palm oil & palm oil-based products and rubber products. Despite the higher surplus in Feb-23, trade surplus RM37.7b in the first 2 months 2023 was -1.7%yoy less than a year ago.

**Export growth jumped to +9.8%yoy in Feb-23.** Export growth accelerated to +9.8%yoy in Feb-22 (Jan-23: +1.4%yoy), which exceeded market consensus (+4.2%yoy). As the size of exports was -0.3%mom smaller than Jan-23, we conclude the jump in export growth was attributable to the lower base in Feb-22. The stronger growth in re-exports (Feb-23: +37.6%yoy; Jan-23: +33.5%yoy) contributed about one-third of growth in Feb-23, and the balance two-thirds of growth (or +6.6%-point) was from rebound in domestic exports (Feb-23: +3.8%yoy; Jan-23: -5.6%yoy). Given the robust growth, the size of re-exports now accounted 22.1% of exports in Feb-23 (vs. 17.6% of exports in Feb-22). Once again higher external demand for petroleum products, E&E, LNG and crude petroleum offset the continued decline in palm oil exports due to lower prices. The stronger growth was more or less in line with our expectation given the higher manufacturing PMI reading in Feb-23 and growing

mining goods exports. However, the effect from China's economic reopening has yet to result in a rebound in Malaysia's exports to China.

**Imports surged to +12.4%yoy.** Similarly, imports also grew faster by +12.4% (Jan-23: +2.2%yoy), also linked to the lower base effect. In particular, the growth in Feb-23 was largely driven by increased purchases of crude and refined petroleum products, where both contributed 90% (or +11.2%-point) of overall import growth. As mentioned above, imports of palm oil and rubber products declined again by -45.2%yoy (Jan-23: -8.2%yoy) and -21.5%yoy (Jan-23: -25%yoy), respectively, because of lower prices. We expect this to continue as current prices remained below a year ago. By end-use, the stronger growth in imports captured the rebound in imports of intermediate and consumption goods. In addition, purchases of transport equipment contributed to the smaller contraction in capital goods imports. As domestic demand is expected to continue growing, we believe imports will grow further as companies expand their investment and increased purchases of raw materials in view of increasing demand.

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

	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23
<b>Exports (RMb)</b>	141.3	144.3	131.6	129.7	131.8	112.7	112.3
% YoY	48.1	30.1	14.9	15.1	5.9	1.4	9.8
% MoM	5.4	2.1	(8.8)	(1.5)	1.6	(14.5)	(0.3)
<b>Imports (RMb)</b>	124.2	112.4	113.5	107.9	103.6	94.5	92.7
% YoY	67.3	32.8	29.1	15.6	11.5	2.2	12.4
% MoM	4.8	(9.5)	1.0	(4.9)	(4.0)	(8.8)	(1.9)
<b>Total Trade (RMb)</b>	265.5	256.7	245.1	237.6	235.4	207.2	205.0
% YoY	56.5	31.3	21.1	15.3	8.3	1.8	11.0
% MoM	5.1	(3.3)	(4.5)	(3.1)	(0.9)	(12.0)	(1.1)
<b>Trade Balance (RMb)</b>	17.0	31.8	18.1	21.8	28.1	18.1	19.6
<b>Import Components</b>							
<b>Intermediate (RMb)</b>	66.4	58.6	60.7	59.3	54.4	48.4	49.0
% YoY	56.1	35.1	26.4	8.2	6.4	(4.2)	3.3
<b>Capital (RMb)</b>	10.2	11.8	11.7	9.8	9.9	9.7	7.9
% YoY	22.0	30.5	41.2	2.9	(2.9)	(1.9)	(0.3)
<b>Consumption (RMb)</b>	9.0	8.8	8.5	9.5	9.3	8.2	7.1
% YoY	42.2	28.2	21.6	23.9	16.2	(4.8)	1.2

*Note: MoM is non-seasonally adjusted figure*

Source: Macrobond, MIDFR

**Stronger exports to the US and ASEAN.** By destination, exports to the US rebounded to +18.7%yoy, underpinned by higher E&E exports. Exports to Japan continued to expand, albeit at slower pace +8.3%yoy mainly due to increased shipments of crude petroleum and LNG. To China, there was some improvement as the decline in exports slowed to -6%yoy, as the lower exports of iron & steel products, processed petroleum products, and chemical products were partly offset by increased shipments of LNG and E&E products. By region, exports to

the EU countries declined by -2.2%yoy, ending 29 months of post-pandemic expansion since Sep-20 because of reduction in exports of chemical and rubber products as well as palm oil and E&E products. Meanwhile, Malaysia's exports to ASEAN countries strengthened to +14.8%yoy, driven by demand for processed petroleum and E&E products. We expect the improved regional trade and economic activities to continue driving exports to ASEAN countries, while pick-up in China's domestic economy will also lend support to Malaysia's trade outlook. In contrast, expected slowdown in major economies could constrain growth exports to the US and EU.

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

	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23
<b>Total Exports (RMb)</b>	<b>141.3</b>	<b>144.3</b>	<b>131.6</b>	<b>129.7</b>	<b>131.8</b>	<b>112.7</b>	<b>112.3</b>
<b>Re-exports (RMb)</b>	<b>34.9</b>	<b>33.8</b>	<b>30.4</b>	<b>26.2</b>	<b>26.6</b>	<b>26.6</b>	<b>24.8</b>
<b>Domestic Exports (RMb)</b>	<b>106.4</b>	<b>110.5</b>	<b>101.2</b>	<b>103.5</b>	<b>105.2</b>	<b>86.0</b>	<b>87.5</b>
<b>Exports by Key Country / Region</b>							
China	21.6	8.0	3.2	9.0	(12.1)	(11.9)	(6.0)
USA	38.1	32.5	8.8	8.4	7.8	(0.7)	18.7
Japan	44.6	74.6	27.1	31.6	13.7	13.2	8.3
India	49.5	5.7	(9.8)	(2.2)	(8.4)	(30.7)	(9.8)
Hong Kong	57.1	30.4	18.5	26.0	(3.6)	4.0	25.1
Australia	29.4	120.1	37.0	59.1	28.4	27.8	20.0
EU	30.7	19.0	6.9	16.3	20.1	1.4	(2.2)
ASEAN	59.0	31.5	25.9	16.9	12.7	10.7	14.8
Singapore	55.5	29.1	27.6	36.3	23.1	19.0	27.7
Thailand	47.2	4.6	21.6	23.3	3.4	8.3	6.5
Indonesia	109.6	53.3	28.7	9.9	1.6	(1.8)	13.3
Vietnam	9.6	65.8	18.5	(25.2)	3.3	(7.9)	(32.3)
Philippines	33.0	21.1	15.5	(2.1)	(7.2)	1.6	32.5

Source: Macrobond, MIDFR

**Increased exports of manufactured and mining goods.** Looking at export performance by sector, exports of manufactured goods, which rebounded to +9.5%yoy, contributed approximately 82.4% (or +8.1%-point) of the overall export growth in Feb-23, on the back of higher shipments of refined petroleum (+67.5%yoy) and E&E products (+11.7%yoy). In particular, the increase in E&E exports largely reflected higher exports of semiconductors (+16.8%yoy), which accounted for 65.9% of E&E exports during the month. Mining goods exports also maintained positive growth at stronger rate of +34.8%yoy (Jan-23: +3.1%yoy), mainly driven by exports of LNG (+32.9%yoy) and crude petroleum (+50.6%yoy).

**Palm oil exports dragged down agriculture goods exports.** Exports of agricultural goods continued to decline albeit slower at -9%yoy (Jan-23: -19.8%yoy), with continued drag from weaker exports of palm oil & palm oil-based products (-13.8%yoy) which had been registering annual declines since Oct-22. Major countries like India and China also bought less of crude palm oil, also the decline was not as large as reduced purchases by other countries such as Pakistan, Philippines, Netherlands, Egypt, and Bangladesh. We continue to conclude the

major reason for the lower palm oil exports was due to the price effect, as the current price level remained below last year (average CPO price in Feb-23: RM3,983.90/tonne; average in Feb-22: RM6,049.05/tonne).

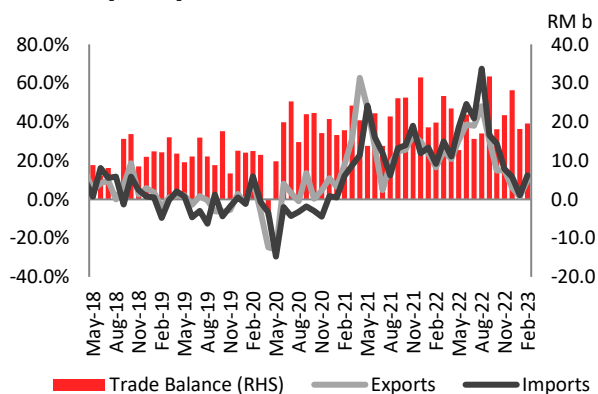
**Table 3: Malaysia's Exports by Major Products (YoY%)**

	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23
E&E	49.4	39.8	19.0	30.9	4.8	4.9	11.7
Machinery, Equipment & Parts	42.2	28.9	1.8	2.7	10.1	(12.5)	6.4
Optical & Scientific Equipment	44.0	32.2	13.7	18.1	11.0	3.6	6.6
Palm oil & palm oil-based products	39.5	9.7	(5.0)	(12.1)	(6.2)	(22.7)	(14.9)
Crude Petroleum	65.2	74.3	78.4	95.8	40.0	25.9	50.6
Petroleum Products	210.8	83.3	96.1	26.4	66.4	114.9	86.3
LNG	77.2	142.0	135.2	68.3	33.5	62.3	32.9
Rubber products	(50.2)	(45.7)	(45.7)	(46.5)	(42.1)	(44.9)	(35.5)

Source: Macrobond, MIDFR

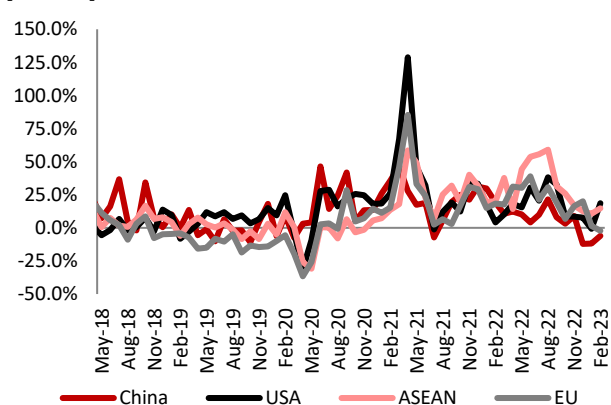
**Maintain projection for both exports and imports this year.** With the improvement in trade numbers in Feb-23, we maintain our projection that exports and imports will expand slower +9.2%yoy and +9.5%yoy, respectively, this year. Expanding external demand for E&E and commodities, particularly petroleum and palm oil, will continue to drive export growth this year. However, the performance of commodity trade will be subject to the price effect, as current prices are relatively lower than last year. Meanwhile, we expect the pick-up in exports to China will support trade in coming months, as Malaysia stands to benefit from the reopening of China's economy. In addition, trade with FTA countries will also grow, boosted by the ratification of trade agreements namely RCEP and CPTPP. Nevertheless, we opine several downside risks to trade outlook could come from weaker global demand, elevated inflation, excessive policy tightening, and possible re-escalation in geo-political and trade tensions. 

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



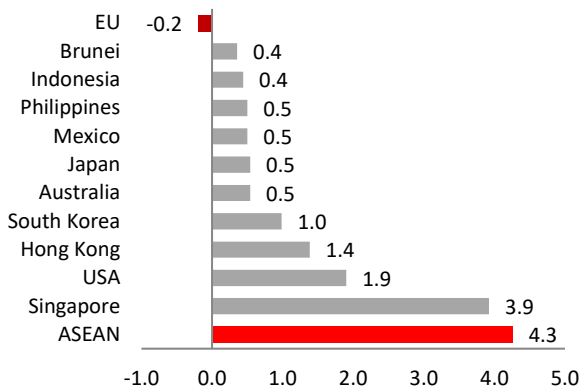
Source: Macrobond, MIDFR

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



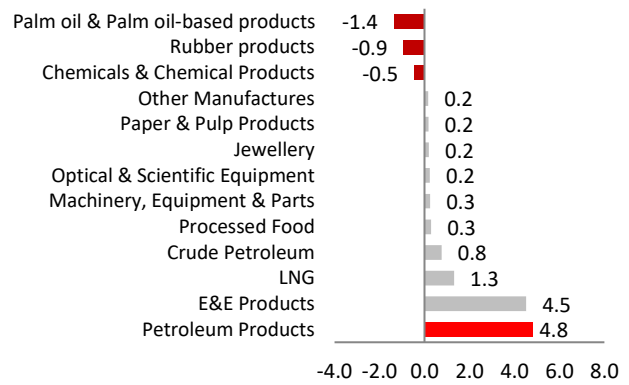
Source: Macrobond, MIDFR

**Chart 3: %-point Contribution to Total Exports Growth in Feb-23 by Major Destination**



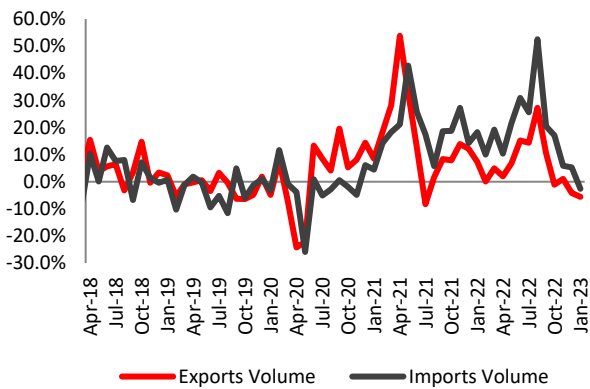
Source: Macrobond, MIDFR

**Chart 4: %-point Contribution to Total Exports Growth in Feb-23 by Key Products**



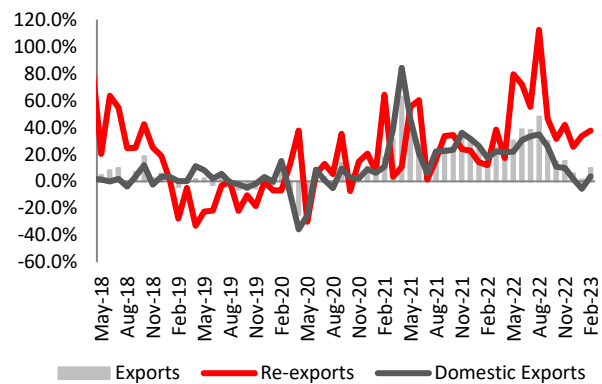
Source: Macrobond, MIDFR

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



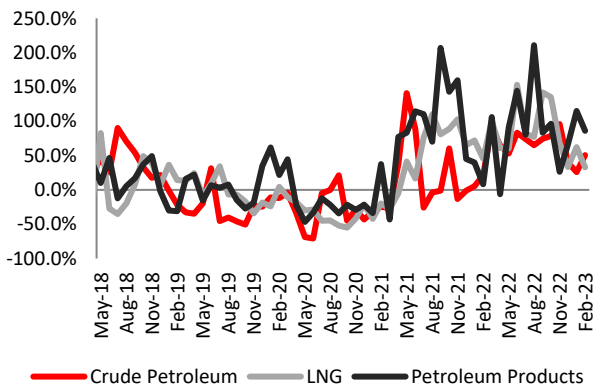
Note: Latest available data as of Jan-23  
Source: Macrobond, MIDFR

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



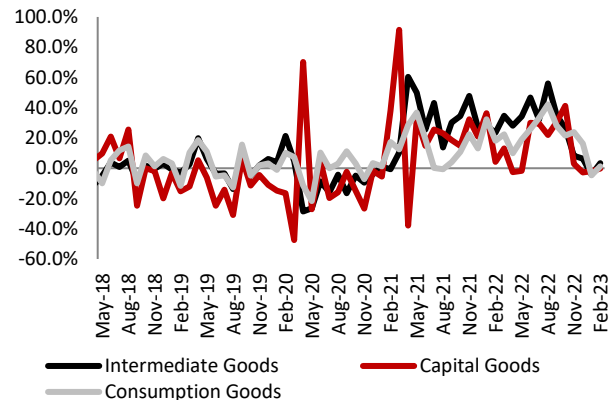
Source: Macrobond, MIDFR

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



Source: Macrobond, MIDFR

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



Source: Macrobond, MIDFR

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