

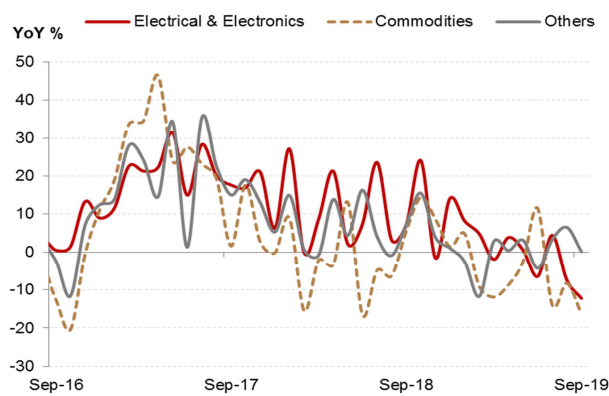
05 November 2019

# Malaysia External Trade

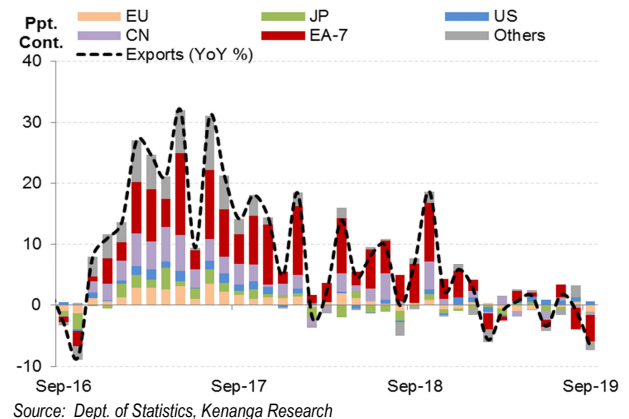
Exports drop to a 35-month low in September, trade surplus narrows

- September exports surprisingly tumbled to almost 3-year low, undershooting forecast (-6.8% YoY; consensus: 0.0%; KIBB: 3.7%; Aug: -0.8%)**
  - MoM: softer contraction (-4.5%; Aug: -7.5%).
- Product-wise, the bleak figure was due to lower shipments of electrical & electronics (E&E), petroleum products and commodities, specifically palm oil**
  - E&E (-12.2%; Aug: -7.4%): drifted to a 79-month low on steeper drop in electronic integrated circuits (-15.8%; Aug: -5.9%) on the back of downturn in the global chip market.
  - Petroleum products (-14.7%; Aug: 7.7%): first contraction in 4 months, amid steeper YoY drop in the average Brent crude oil price (-20.4% to USD62.83/barrel; Aug: -18.6% to USD59.04/barrel).
  - Palm oil & palm oil-based products (-6.6%; Aug: 16.7%): declined, reflective of India's 5% hike in tariff on imports of Malaysian refined palm oil. We foresee this figure to moderate further in the immediate months, as India threatened to impose additional curbs on Malaysian palm oil.
- By destination, the fall in exports was steered by faltered demand from the EU and regional peers**
  - Demand from the EU (-10.8%; Aug: 5.3%), Hong Kong (-26.5; Aug: -15.4%) and Indonesia (-11.8%; Aug: 10.3%) fell as these economies responded to deteriorating global growth outlook and as economic activities, specifically in Hong Kong, were halted by the prolonged political unrest.
- Imports flipped to highest in 5 months on low base (2.4%; consensus and KIBB: 1.4%; Aug: -12.5%)**
  - Rebound led by the intermediate goods (11.1%; Aug: -13.8%), followed by capital (7.3%; Aug: -30.9%) and consumption goods (15.1%; Aug: -12.8%).
  - Rebound is temporary and will likely normalise in the near term as low base effect fades, portraying the underlying weakness in domestic demand.
  - Trade surplus narrowed to a 13-month low (RM8.3b; Aug: RM10.9b) as exports (-4.5%) charted a steeper drop compared to imports (-1.6%) on a MoM basis.
- 2019 exports forecast revised down to -1.0% to -2.0% from -0.3% (2018: 7.3%, YTD: -1.1%)**
  - Our downward revision is due to steeper-than-expected downturn in September and rising headwinds from the continued US-China trade spat, threats of stiffer curbs on Malaysian palm oil imports by the India, prolonged riots in Hong Kong and a high base in October.
  - Softer external demand to weigh on GDP growth in the 2H19, which is expected to moderate to 4.2% YoY versus 4.7% in the 1H19. Hence, GDP growth for 2019 is projected to slow to 4.5% (2018: 4.7%).

Graph 1: Exports by Product



Graph 2: Exports by Destination



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**Table 1: Malaysia External Trade Growth Trend**

		2016	2017	2018	Sep -18	May -19	Jun -19	Jul -19	Aug -19	Sep -19
Total Trade	%YoY	1.5	19.2	6.3	2.4	1.5	-6.5	-1.9	-6.6	-2.7
Trade Balance	RM bil	88.1	98.5	123.8	15.6	9.1	10.5	14.3	10.9	8.3
Exports	%YoY	1.2	18.8	7.3	7.0	1.5	-3.4	1.7	-0.8	-6.8
	%MoM				1.7	-1.2	-9.5	15.5	-7.5	-4.5
E&E	%YoY	3.6	19.2	11.0	7.2	0.6	-6.0	4.5	-7.4	-12.2
	Shr	36.6	36.7	37.9	39.7	34.9	36.9	41.0	36.5	37.4
Commodities	%YoY	-12.5	19.4	-1.6	5.5	-1.0	11.4	-12.4	-8.2	-16.3
	Shr	13.6	13.7	12.5	12.2	12.1	12.5	10.0	11.5	10.9
Others	%YoY	4.0	18.4	16.5	7.3	3.2	-4.3	3.3	6.6	0.2
	Shr	49.8	49.6	49.2	48.1	53.0	50.6	49.0	52.0	51.7
Imports	%YoY	1.9	19.7	5.2	-2.7	1.4	-9.8	-5.9	-12.5	2.4
	%MoM				-15.9	1.0	-12.6	12.3	-4.4	-1.6
Capital	%YoY	4.9	15.3	-3.3	-24.9	-6.1	-24.5	-14.0	-30.9	7.3
	Shr	14.3	13.8	12.7	10.8	12.3	10.9	11.4	11.4	11.3
Intermediate	%YoY	-0.1	20.0	-3.9	-8.9	6.0	-3.6	-3.4	-13.8	11.1
	Shr	57.1	57.3	52.4	53.0	56.8	58.2	52.8	55.4	57.6
Consumption	%YoY	7.3	6.1	2.5	-10.0	10.5	-5.6	-5.0	-12.8	15.1
	Shr	9.6	8.5	8.3	7.6	8.8	8.5	8.6	8.8	8.5

Source: Dept. of Statistics, CEIC, Kenanga Research, Shr. = share to total exports or imports, E&E = Electrical & Electronic products

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