

30 June 2020

Malaysia External Trade

Exports plunged further in May to an 11-year low, trade balance returned to a surplus

- Exports dwindled further in May (-25.5% YoY; KIBB estimate: -16.4%; consensus: -20.2%; Apr: -23.9%), its biggest fall in 11 years (May 09: -29.5%)

- MoM (-3.2%; Apr: -19.1%): fell by less, reflecting slight improvement in economic activity as multiple nations began to gradually ease lockdown restrictions in May.
- As this was a debut early release, the Department of Statistics will be releasing the detailed breakdown on exports on July 3.

- The deeper drop in exports was led by worsened demand from the regional peers, mainly ID and HK

- ID (-37.5%; Apr: -2.3%): sharpest fall since August 2009 as domestic activities faced the brunt of a full-month lockdown in May.
- HK (-23.5%; Apr: -8.2%): steepest fall in eight months, with business activities damaged not only by the pandemic, but also the resurgence of protest movement triggered by disagreement over the Hong Kong's security law.

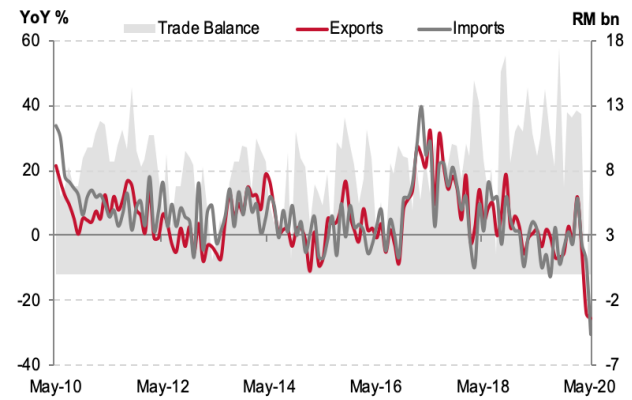
- Imports plunged in May (-30.4% YoY; KIBB: -26.0%; consensus: -18.6%; Apr: -8.0%), matching an over 11-year low, due to slowdown in both retained imports (-30.4%; Apr: -18.2%) and re-exports (-30.0%; Apr: 38.2%)

- Negative shift in imports of capital goods (-27.8%; Apr: 68.9%), after a one-time purchase of floating structures for the Petronas Floating LNG-2 project last month, and continued drop in imports of consumption goods (-21.9%; Apr: -12.1%) outweighed the relatively softer fall in demand for intermediates (-27.8%; Apr: -30.6%).

- Trade balance returned to a surplus (RM10.4b; Apr: -RM3.6b) as imports declined (-23.6%; Apr: 0.9%) at a much faster pace than exports (-3.2%) on a MoM basis.

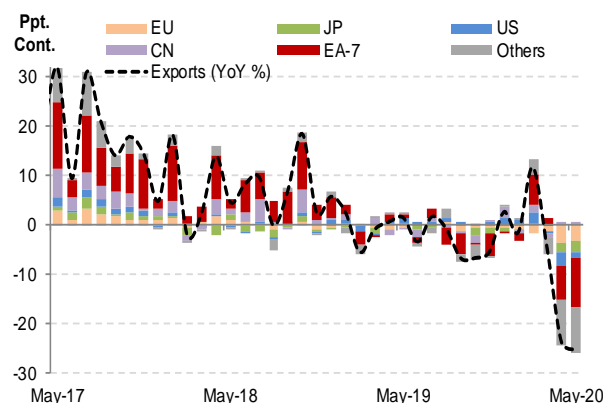
- 2020 export forecast range maintained (-15.0% to -10.0%; 2019: -1.7%) on the back of persisting weakness in foreign demand
 - While the degree of decline in exports is expected to soften in line with the ongoing economic reopening, the broad weakness in external demand will remain, with further downside risks emanating from the simmering geopolitical tension among major economies (e.g. US-CN, US-EU) and resurgence of COVID-19 cases in major export destinations.
 - Though sluggish private investment and consumption activities amid surging unemployment would further weigh on the economy, we still believe that the impact of the gradual ease of movement restriction and the reopening of the economy are still at an early stage. Hence, we maintain our 2020 GDP growth forecast at -2.9% (2019: 4.3%).

Graph 1: External Trade Growth



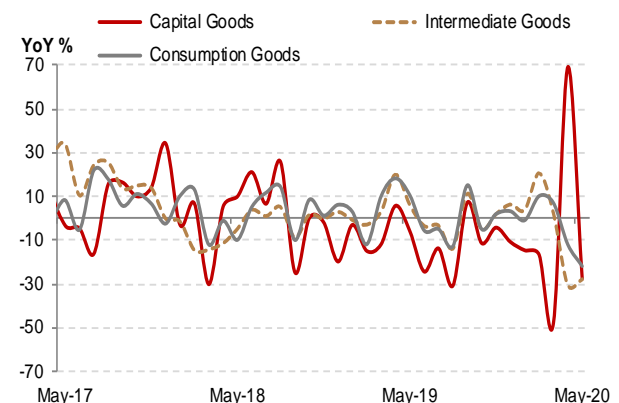
Source: Dept. of Statistics, Kenanga Research

Graph 2: Exports by Destination



Source: Dept. of Statistics, Kenanga Research

Graph 3: Imports by End Use



Source: Dept. of Statistics, Kenanga Research

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Table 1: Malaysia External Trade Growth Trend

		2017	2018	2019	May -19	Nov -19	Dec -19	Jan -20	Feb -20	Mar -20	Apr -20
Total Trade	%YoY	19.2	6.3	-2.5	1.5	1.9	-1.9	11.6	-3.8	-16.5	-27.8
Trade Balance	RM bil	98.5	123.8	137.3	9.1	12.5	12.0	12.6	12.3	-3.6	10.4
Exports	%YoY	18.8	7.3	-1.7	1.5	2.7	-1.5	11.8	-4.7	-23.9	-25.5
	%MoM				-1.2	6.8	-2.6	-11.5	7.6	-19.1	-3.2
E&E	%YoY	19.2	11.2	-2.3	0.6	-5.4	-5.5	-2.7	-13.9	-21.7	n/a
	Shr	36.7	38.0	37.8	34.9	35.9	38.5	33.7	33.6	40.0	n/a
Commodities	%YoY	19.4	0.2	-9.8	-2.5	-8.5	-15.2	6.6	-8.7	-20.2	n/a
	Shr	13.7	12.7	11.7	12.1	11.9	12.0	11.9	11.6	11.7	n/a
Others	%YoY	18.4	6.5	0.8	3.2	12.4	6.1	24.7	3.0	-26.4	n/a
	Shr	49.6	49.2	50.5	53.0	52.1	49.5	54.4	54.8	48.3	n/a
Imports	%YoY	19.7	5.2	-3.5	1.4	1.0	-2.4	11.3	-2.7	-8.0	-30.4
	%MoM				1.0	-0.5	-2.4	-14.2	9.7	0.9	-23.6
Capital	%YoY	15.3	-2.7	-10.8	-6.1	-11.0	-14.8	-16.9	-48.1	68.9	-27.8
	Shr	13.8	12.8	11.8	12.3	11.7	10.6	8.9	6.3	21.9	12.7
Intermediate	%YoY	10.6	22.3	-47.3	6.0	6.2	3.7	20.4	2.2	-30.6	-27.8
	Shr	57.3	52.5	55.0	56.8	56.7	53.9	62.1	57.3	41.3	58.9
Consumption	%YoY	6.1	2.8	1.3	10.5	3.2	-1.0	10.2	7.0	-12.1	-21.9
	Shr	8.5	8.3	8.7	8.8	9.2	9.0	8.1	9.3	8.5	9.9

*share to total exports or imports, E&E = Electrical & Electronic products

Source: Dept. of Statistics, CEIC, Kenanga Research

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