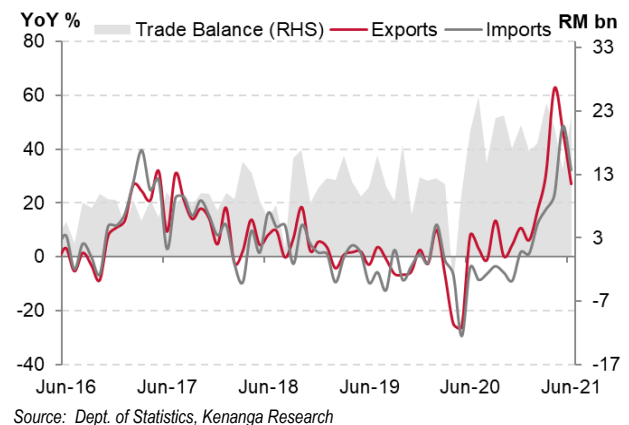


Malaysia External Trade

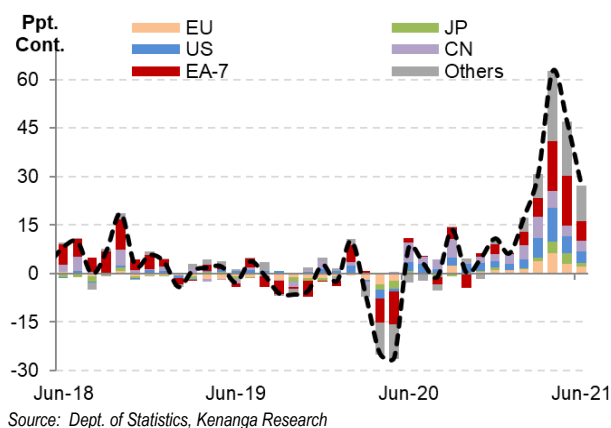
Exports beat expectations in June despite nationwide lockdown

- Exports moderated to 27.2% YoY in June (May: 47.0%) but beating expectations (KIBB: 7.1%; consensus 11.0%)**
 - MoM (14.3%; May: -12.6%): rebounded sharply, a three-month high despite the imposition of nationwide total lockdown from June 1 amid a resurgence of COVID-19 cases.
 - 2Q21: 44.0% (1Q21: 18.0%): accelerated to a record high mainly due to base effect, following a sharp contraction in 2Q20 (-14.9%).
- Growth moderated across major trading partners as base effects dissipate but remain supported by solid demand from advanced economies**
 - By destination: led by the US (32.0%; May: 46.5%), followed by EU (24.1%; May: 33.5%) and CN (18.5%; May: 17.7%).
 - By sector: led by agriculture sector (40.0%; May: 51.7%), followed by mining (32.9%; May: 76.0%) and manufacturing (25.8%; May: 45.5%).
- Imports moderated (32.1%; May: 48.4%), but growth exceeded expectations (KIBB: 15.7%; consensus: 15.9%), largely due to the third successive month of expansion in re-exports (61.2%; May: 56.1%)**
 - Broad-based moderation led by intermediate goods (25.3%; May: 52.4%) followed by consumption goods (19.2%; May: 37.6%) and capital goods (15.2%; May: 33.9%).
 - 2Q21: 33.3% (1Q21: 10.0%): highest since 1Q10 due to base effect.
- Trade surplus widened to a three month high (RM22.2b; May: RM13.8b), beating house forecast (RM17.0b) but matching consensus (RM22.2b), as MoM exports (14.3%) rebounded sharply, outpacing imports (5.9%). Meanwhile, total trade moderated to 29.3% (May: 47.6%).**
 - 2Q21: 122.7% (1Q21: 63.1%): almost doubled than the preceding quarter, and highest since 2Q14.
- Exports forecast retained at 11.8% (2020: -1.1%) on solid external demand and continued manufacturing expansion**
 - Despite the imposition of full lockdown from June 1, exports continue to demonstrate a sustained recovery driven by solid demand among advanced economies and the resilient manufacturing sector. This was also supported by the government decision to allow most key manufacturing sectors to resume operation under the National Recovery Plan, albeit at a reduced capacity. While growth could be capped by the domestic containment measures primarily due to the closure of the non-essential sector, we continue to expect higher trade growth for 2021.
 - Nevertheless, the sterling 2Q21 trade performance could support our GDP growth estimate of 11.7% (1Q21: -0.5%) given that net exports to contribute significantly to growth and also due to the low base effect. However, given the extended lockdown since June 1, we expect it would have an adverse impact on domestic demand going forward. Evidently, this may likely contribute to some downside risk on our 2021 GDP growth forecast of 5.0-6.0% (2020: -5.6%). Hence, our preliminary calculations suggest that GDP would likely grow between 4.0-5.0% for 2021.

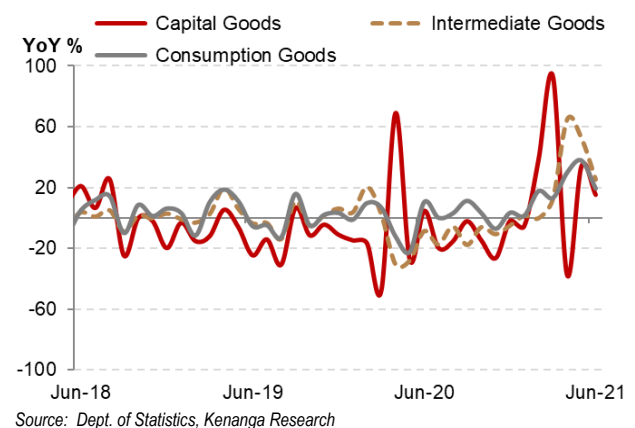
Graph 1: External Trade Growth



Graph 2: Exports by Destination



Graph 3: Imports by End Use



29 July 2021

Table 1: Malaysia External Trade Growth Trend

		2018	2019	2020	Jun-20	Jan-21	Feb-21	Mar-21	Apr-21	May-21	Jun-21
Total Trade	%YoY	6.3	-2.1	-3.3	2.5	3.9	15.0	24.7	42.1	47.6	29.3
Trade Balance	RM bil	123.8	145.7	183.3	19.9	16.6	17.9	24.2	20.4	13.8	22.2
Exports	%YoY	7.3	-0.8	-1.1	8.1	6.3	17.4	30.9	62.7	47.0	27.2
	%MoM				32.0	-6.5	-2.3	19.9	0.6	-12.6	14.3
Manufacturing	%YoY	8.9	0.6	0.9	13.3	11.7	20.9	35.9	65.4	45.4	25.8
	Shr	83.7	84.5	86.41	87.5	88.5	87.2	87.5	86.8	85.4	86.6
Agriculture	%YoY	-14.2	-1.6	8.7	26.7	-7.3	9.7	43.8	66.9	51.7	40.0
	Shr	6.7	6.6	7.3	7.6	5.6	6.5	7.1	7.4	8.1	8.3
Mining	%YoY	8.9	-7.1	-29.7	-47.1	-31.0	-7.8	-24.1	24.4	76.0	32.9
	Shr	8.8	8.2	5.8	4.5	5.5	5.9	5.0	5.4	6.1	4.7
Others	%YoY	-12.4	-11.5	-39.5	2.5	-15.1	6.2	4.4	24.0	-26.4	17.0
	Shr	0.8	0.7	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4
Imports	%YoY	5.2	-3.5	-5.8	-4.0	1.1	12.1	17.5	22.9	48.4	32.1
	%MoM				19.0	-2.8	-4.6	15.9	5.5	-7.8	5.9
Capital	%YoY	-2.7	-10.9	-9.7	4.7	-5.4	38.3	93.3	-37.7	33.9	15.2
	Shr	12.8	11.8	11.4	11.8	9.9	10.9	10.3	10.9	11.3	10.3
Intermediate	%YoY	22.3	-47.3	-107.3	-8.6	1.4	-0.1	12.4	64.6	52.4	25.3
	Shr	52.5	55.0	53.1	55.4	53.9	55.0	54.0	54.6	59.7	52.5
Consumption	%YoY	2.8	1.5	-0.2	10.3	1.3	17.6	13.0	29.7	37.6	19.2
	Shr	8.3	8.7	9.3	9.8	9.0	8.5	8.8	8.9	9.1	8.8

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

Source: Dept. of Statistics preliminary release, CEIC, Kenanga Research

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