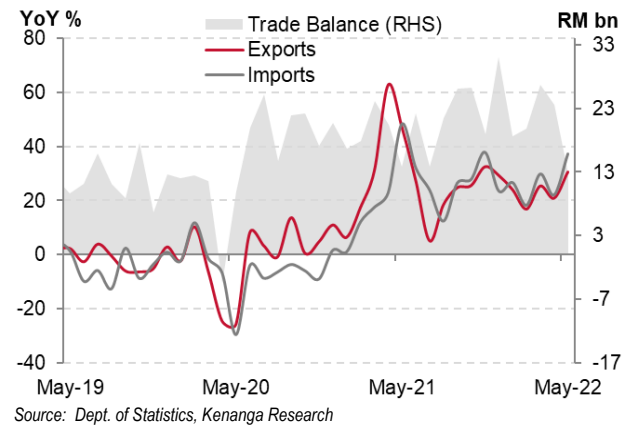


# Malaysia External Trade

Export growth hits six-month high in May on base effect

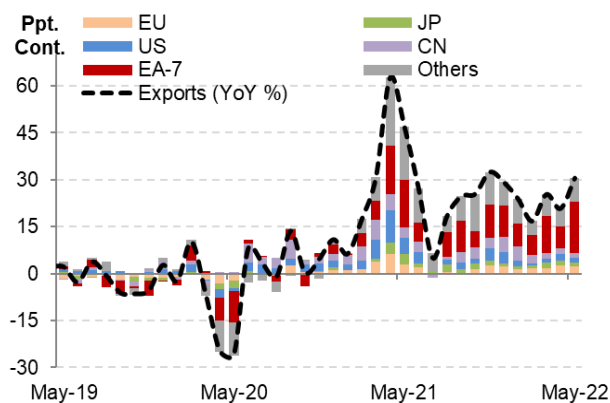
- Exports expanded sharply to a six-month high of 30.5% YoY in May (Apr: 20.8%), slightly beating consensus (30.3%) but lower than the house forecast (34.4%)**
  - MoM (-5.6%; Apr: -3.0%): growth fell for the second straight month, reflecting a weak recovery in the trade activity attributable to prolonged global supply chain disruptions brought by China's zero-Covid policy and the ongoing Russia-Ukraine crisis.
- The performance of exports was contributed by higher shipment to regional trading partners and partly attributed to the base effect**
  - By destination: mainly due to higher shipment to regional partners led by PH (61.5%; Apr: 10.8%), followed by ID (60.8%; Apr: 24.1%), HK (53.6%; Apr: 20.7%) and SG (40.9%; Apr: 9.1%). However, growth to major economies moderated led by the US (15.5%; Apr: 18.0%) and CN (10.1%; Apr: 12.4%).
  - By sector: growth across the sector remained relatively high mainly due to the base effect led by growth acceleration in manufacturing (27.3%; Apr: 17.3%), followed by agriculture (43.9%; Apr: 29.8%) while mining moderated but remained elevated (54.9%; Apr: 64.5%).
- Imports surged to 37.3% in May (Apr: 22.1%), beating expectations (KIBB: 33.4%; consensus 27.3%) due to sharp expansion in re-exports (79.1%; Apr: 16.8%) and retained imports (28.5%; Apr: 23.8%)**
  - By category, import growth was primarily boosted by expansion in intermediate goods (34.1%; Apr: 28.4%) and consumption goods (19.3%; Apr: 9.9%). However, the overall growth was partially capped by a slowdown in capital goods (-0.8%; Apr: -2.4%).
  - On a MoM basis, growth rebounded (3.6%; Apr: -0.8%) attributable to higher import of intermediate goods, indicating positive momentum for near-term exports.
- Trade surplus narrowed sharply to RM12.6b (Apr: RM23.5b), lower than expectations (KIBB: RM19.3b; consensus: RM20.0b)** as exports decline on MoM (-5.6%) while imports rebounded (3.6%). Meanwhile, total trade expanded sharply to 33.6% YoY (Apr: 21.4%), a 12-month high.
- 2022 exports forecast retained at 6.9% (2021: 26.0%)**
  - In the last five months, exports expanded by 23.5% YoY despite ongoing global supply chain disruptions brought by China's zero-Covid policy and the ongoing Russia-Ukraine crisis. This was mainly underpinned by Malaysia's export diversification and continued expansion in the manufacturing sector amid solid demand from major trading partners and elevated commodity prices. In addition, the higher YoY export growth was also partly due to the base effect, given a sustained slowdown on MoM basis since April 2022.
  - Nevertheless, our growth still susceptible to downside risks, with export growth is expected to moderate in the 2H22 as the base effect dissipates and trade activity normalises. Against this backdrop, we project a stronger 2Q22 GDP growth at 7.7% (1Q22: 5.0%), supporting the overall 2022 GDP growth forecast at 5.0% - 5.5% (2021: 3.1%).

Graph 1: External Trade Growth



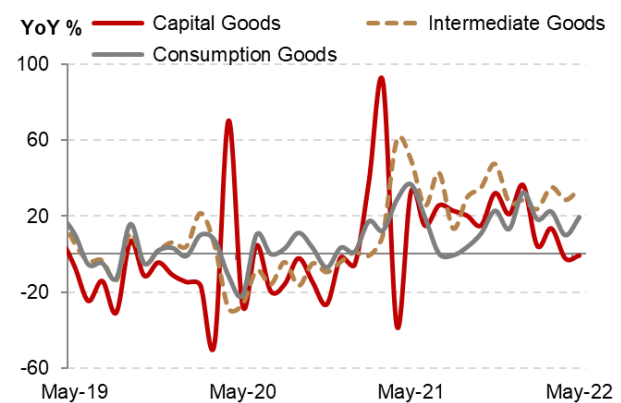
Source: Dept. of Statistics, Kenanga Research

Graph 2: Exports by Destination



Source: Dept. of Statistics, Kenanga Research

Graph 3: Imports by End Use



Source: Dept. of Statistics, Kenanga Research

20 Jun 2022

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

		2019	2020	2021	May-21	Dec-21	Jan-22	Feb-22	Mar-22	Apr-22	May-22
Total Trade	%YoY	-2.1	-3.3	24.8	47.6	26.8	25.2	17.5	27.3	21.4	33.6
Trade Balance	RM bil	145.7	183.3	252.6	13.8	31.0	18.6	19.8	26.6	23.5	12.6
Exports	%YoY	-0.8	-1.1	26.0	47.0	29.2	23.9	16.8	25.3	20.8	30.5
	%MoM				-12.6	10.4	-10.3	-7.9	28.6	-3.0	-5.6
Manufacturing	%YoY	0.6	1.1	25.6	45.2	28.4	19.8	14.2	19.1	17.3	27.3
	Shr	84.5	86.4	86.1	85.4	85.0	85.6	85.2	83.2	84.3	83.3
Agriculture	%YoY	-1.6	8.7	36.8	51.1	32.5	75.0	38.1	41.2	29.8	43.9
	Shr	6.6	7.3	7.9	8.1	8.9	7.9	7.7	8.0	8.0	8.9
Mining	%YoY	-7.1	-28.3	19.5	72.6	37.0	38.1	31.4	105.8	64.5	54.9
	Shr	8.2	5.9	5.6	6.1	5.7	6.1	6.7	8.2	7.3	7.3
Others	%YoY	-11.5	-40.2	12.3	-26.4	-0.2	3.3	-10.2	84.4	-26.4	3.2
	Shr	0.7	0.4	0.4	0.4	0.4	0.4	0.4	0.6	0.4	0.5
Imports	%YoY	-3.5	-5.8	23.3	48.4	23.6	26.7	18.3	29.9	22.1	37.3
	%MoM				-7.8	-0.4	-0.4	-10.9	27.2	-0.8	3.6
Capital	%YoY	-10.9	-9.4	14.5	32.6	21.0	36.3	4.3	13.5	-2.4	-0.8
	Shr	11.8	11.3	10.5	11.3	11.0	10.7	9.6	9.0	8.7	8.2
Intermediate	%YoY	-47.3	-107.3	-925.7	49.6	27.1	28.3	23.6	35.0	28.4	34.1
	Shr	55.0	53.6	55.2	59.7	55.1	54.6	57.5	56.2	57.4	58.4
Consumption	%YoY	1.5	0.0	13.2	36.7	13.1	32.4	18.2	22.3	9.9	19.3
	Shr	8.7	9.3	8.5	9.1	8.6	9.4	8.5	8.3	8.0	7.9

\*Shr = share to total exports or imports.

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

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