

Malaysia External Trade

Export growth expanded to a three-month high in February on base effect

- **Exports expanded to a three-month high in February (9.8 YoY; Jan: 1.4%), beating consensus of 4.7% but below the house forecast of 14.3%**

- MoM (-0.3%; Jan: -14.5%): growth contracted marginally, reflecting an improved demand following a shorter working period in the previous month due to the Lunar New Year holidays. Nonetheless, growth came in below our forecast as we may have overestimated the effect of China's economic reopening.

- **Growth expansion was due to improved demand among major and regional trading partners, and higher shipment in the key export sector**

- By destination: higher demand from the US (18.7%; Jan: -0.7%), and among regional economies led by PH (32.5%; Jan: 1.6%), followed by SG (27.7%; Jan: 18.9%) and KR (26.5%; Jan: 4.1%). Nevertheless, export to CN (-6.0%; Jan: -11.9%) remained in contraction albeit easing.

- By sector: attributable to a higher export from manufacturing (9.5%; Jan: -0.3%) sector, which posted a three-month high and was supported by a double-digit expansion of mining (34.8%; Jan: 50.1%) sector. This was further lifted by a smaller contraction in the agriculture (-9.0%; Jan: -19.8%) sector.

- **Imports expanded sharply to 12.4% (Jan: 2.2%), a three-month high, beating consensus of 6.4%, but lower than the house projection of 20.4%.** Growth was attributable to a lower base effect and supported by higher re-exports (37.6%; Jan: 33.5%) and a rebound in retained imports (5.4%; Jan: -6.4%)

- By category, growth was mainly contributed by intermediate goods (3.3%; Jan: -4.2%) and consumption goods (1.2%; Jan: -4.8%) but was capped by weak capital goods (-0.3%; Jan: -1.9%). On a MoM basis, imports fell (-1.9%; Jan: -8.8%) for the fourth straight month but at a slower pace.

- **Trade surplus expanded to RM19.6b (Jan: RM18.1b), higher than expectations (KIBB: RM17.7b; consensus: RM18.5b) as MoM fall in imports (-1.9%) outpaced exports (-0.3%)**

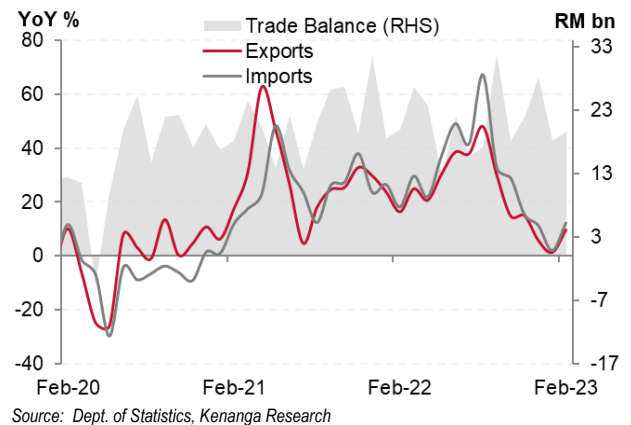
- Meanwhile, total trade rose sharply to 11.0% (Jan: 1.8%), a three-month high reflecting increased trade activity during the month.

- **2023 export forecast maintained at 5.8% (2022: 25.0%) amid heightened external risks**

- Though February's export performance demonstrated a recovery, it still remains weak given the second month of decline on a MoM basis despite the optimism arising from China's reopening. Against this backdrop, we still expect export growth to remain moderate going forward, with a possibility of growth contraction given the normalisation of economic activities, relatively lower commodity prices and the diminishing effect of a lower base.

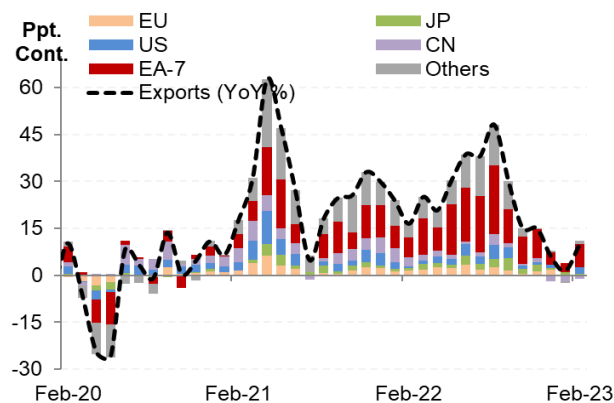
- Likewise, we maintained our 2023 GDP forecast at 4.7% (2022: 8.7%), anticipating that economic growth will be supported by resilient domestic demand attributable to a lower unemployment rate, increased tourist arrival, and the gradual effect of China's economic reopening. Nonetheless, we are still pencilling a cautious outlook given the heightened external uncertainties amid rising geopolitical tensions and recent global banking fears.

Graph 1: External Trade Growth



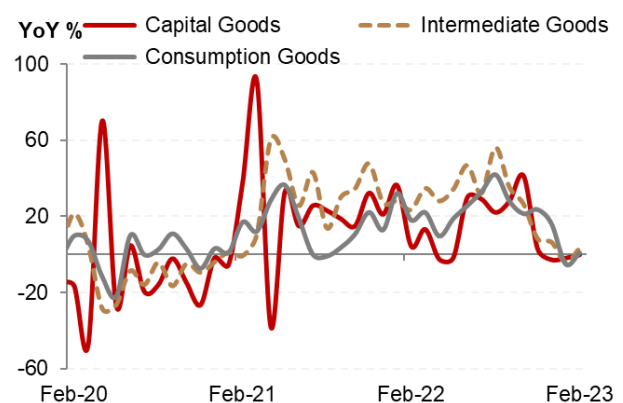
Source: Dept. of Statistics, Kenanga Research

Graph 2: Exports by Destination



Source: Dept. of Statistics, Kenanga Research

Graph 3: Imports by End Use



Source: Dept. of Statistics, Kenanga Research

21 March 2023

Table 1: Malaysia External Trade Growth Trend

		2020	2021	2022	Feb-22	Sep-22	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23
Total Trade	%YoY	25.9	38.4	0.6	17.3	31.3	21.1	15.3	8.3	1.8	11.0
Trade Balance	RM bil	183.3	253.7	255.1	19.8	31.8	18.1	21.8	28.1	18.1	19.6
Exports	%YoY	-1.1	26.1	25.0	16.5	30.1	14.9	15.1	5.9	1.4	9.8
	%MoM				-7.9	2.1	-8.8	-1.5	1.6	-14.5	-0.3
Manufacturing	%YoY	1.1	25.7	22.3	14.2	28.6	12.5	14.5	4.6	-0.3	9.5
	Shr	86.3	86.1	84.2	85.2	84.7	84.4	84.6	83.8	84.2	85.0
Agriculture	%YoY	8.7	36.8	23.3	38.1	8.1	-6.8	-11.2	-0.4	-19.8	-9.0
	Shr	7.3	7.9	7.8	7.7	7.2	6.5	6.8	8.4	6.2	6.4
Mining	%YoY	-28.3	18.9	68.5	31.4	89.0	85.8	61.8	30.7	50.1	34.8
	Shr	5.9	5.6	7.5	6.7	7.7	8.5	8.0	7.3	9.1	8.2
Others	%YoY	-40.2	11.5	52.3	-10.2	-10.8	17.5	9.3	1.4	-12.9	-15.8
	Shr	0.4	0.4	0.5	0.4	0.4	0.5	0.5	0.5	0.5	0.5
Imports	%YoY	-5.8	23.3	31.3	18.3	32.8	29.1	15.6	11.5	2.2	12.4
	%MoM				-10.9	-9.5	1.0	-4.9	-4.0	-8.8	-1.9
Capital	%YoY	-9.4	14.4	15.9	4.3	28.0	41.2	2.9	-2.9	-1.9	-0.3
	Shr	11.3	10.5	9.3	9.6	10.3	10.3	9.0	9.6	10.2	8.5
Intermediate	%YoY	-8.1	27.2	29.3	23.4	35.2	26.4	8.2	6.4	-4.2	3.3
	Shr	53.6	55.3	54.4	57.5	52.1	53.5	55.0	52.5	51.2	52.8
Consumption	%YoY	0.0	13.2	24.1	18.2	28.2	21.6	23.9	16.2	-4.8	1.2
	Shr	9.3	8.5	8.0	8.5	7.9	7.5	8.8	8.9	8.7	7.6

*Shr = share to total exports or imports.

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

For further information, please contact:

Wan Suhaimie Wan Mohd Saidie
Head of Economic Research
wansuhaimi@kenanga.com.my

Muhammad Saifuddin Sapuan
Economist
saifuddin.sapuan@kenanga.com.my

Afiq Asyraf Syazwan Abd. Rahim
Economist
afiqasyraf@kenanga.com.my

Zalman Basree
Economist
zalman@kenanga.com.my

This document has been prepared for general circulation based on information obtained from sources believed to be reliable but we do not make any representations as to its accuracy or completeness. Any recommendation contained in this document does not have regard to the specific investment objectives, financial situation and the particular needs of any specific person who may read this document. This document is for the information of addressees only and is not to be taken in substitution for the exercise of judgement by addressees. Kenanga Investment Bank Berhad accepts no liability whatsoever for any direct or consequential loss arising from any use of this document or any solicitations of an offer to buy or sell any securities. Kenanga Investment Bank Berhad and its associates, their directors, and/or employees may have positions in, and may affect transactions in securities mentioned herein from time to time in the open market or otherwise, and may receive brokerage fees or act as principal or agent in dealings with respect to these companies.

Published by:

KENANGA INVESTMENT BANK BERHAD (15678-H)

Level 17, Kenanga Tower, 237, Jalan Tun Razak, 50400 Kuala Lumpur, Malaysia
Telephone: (603) 2172 0880 Website: www.kenanga.com.my E-mail: research@kenanga.com.my