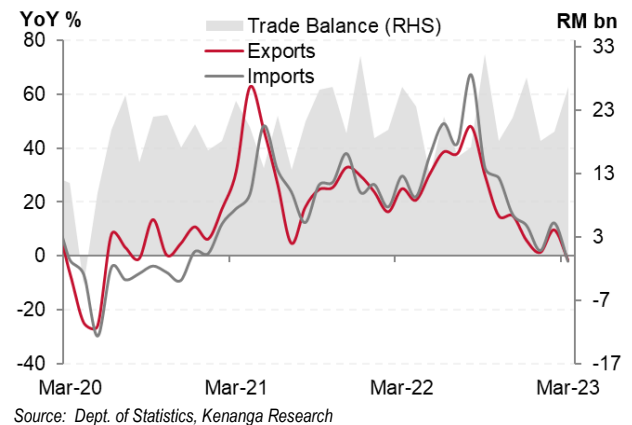


Malaysia External Trade

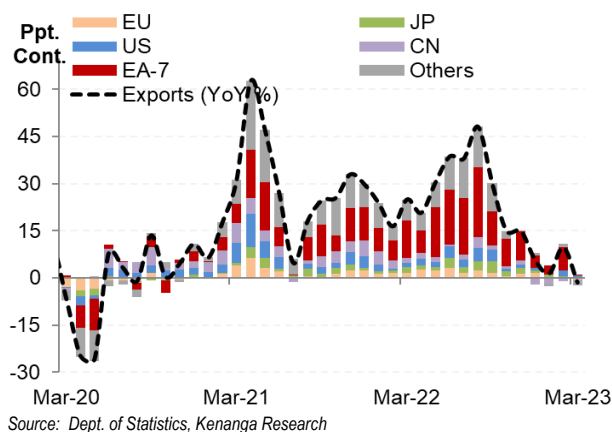
Exports fall for the first time since August 2020 on a high base effect

- Exports fell in March (-1.4 YoY; Feb: 9.8%) but slightly better than expectations (KIBB: -3.5%; consensus: -1.9%)**
 - MoM (15.5%; Feb: -0.3%): however, growth rebounded strongly on a MoM basis following two straight months of contraction, reflecting an improved demand compared to the previous month.
 - 1Q23 (2.8% YoY; 4Q22: 11.8%): growth slowed sharply, lowest since 2Q20.
- Weaker growth due to a broad-based slowdown among major trading partners, lower shipment in the key sector and partly due to the high base**
 - By destination: weak demand from CN (-6.2%; Feb: -6.0%), followed by EU (-5.3%; Feb: -2.2%) and JP (-6.0%; Feb: 8.3%), but partially supported by the US (7.5%; Feb: 18.7%) albeit at a moderate pace.
 - By sector: broad-based slowdown led by agriculture (-10.8%; Feb: -9.0%), followed by mining (-3.5%; Feb: 34.8%) and manufacturing (-0.4%; Feb: 9.5%) sectors.
- Imports contracted (-1.8%; Feb: 12.4%), the lowest since November 2020 and lower than expectations (KIBB: 1.5%; consensus: 2.2%).** The weak growth was due to a high base as MoM growth rebounded sharply (11.1%; Feb: -1.9%). This is also due to weak retained imports (-5.5%; Feb: 5.4%) and a slowdown in re-exports (10.3%; Feb: 37.7%)
 - By category, it was mainly due to the weak import of intermediate goods (-8.7%; Feb: 2.9%), which contracted sharply to the lowest level since November 2020. Nevertheless, growth was supported by an expansion in consumption goods (6.2%; Feb: 1.0%) and a rebound in capital goods (3.5%; Feb: -0.7%). On a MoM basis, imports rebounded sharply (11.1%; Feb: -1.9%) to a nine-month high after four straight months of contraction.
 - 1Q23 (3.7% YoY; 4Q22: 18.5%): moderated sharply, lowest since 4Q20.
- Trade surplus surged to RM26.7b (Feb: RM19.6b), a three-month high, and higher than expectations (KIBB: RM20.6b; consensus: RM20.6b) as MoM exports (15.5%) outpaced imports (11.1%)**
 - 1Q23 (RM64.4b; 4Q22: RM68.0b): surplus narrowed slightly compared to the previous quarter.
 - Meanwhile, total trade declined (-1.6%; Feb: 11.0%) to a 28-month low amid a high-base effect.
- 2023 exports forecast retained at 5.8% (2022: 25.0%) in anticipation of slower global trade**
 - Despite slightly better-than-expected trade performance in March, we still expect export growth to remain moderate in the coming months, with high probabilities of slipping into contraction due to the normalisation of economic activities, relatively lower commodity prices and the waning effect of the lower base recorded last year.
 - Against this backdrop, we keep our 1Q23 GDP forecast unchanged at 5.1% (4Q22: 7.0%), with full-year growth estimated at 4.7% (2022: 8.7%). Though the impact of the global economic slowdown is still uncertain, we still expect growth to be supported by China's reopening. On the domestic front, growth is also expected to be supported by resilient domestic demand attributable to a lower unemployment rate, higher tourist arrivals and investments as well as the resumption of infrastructure projects by the government.

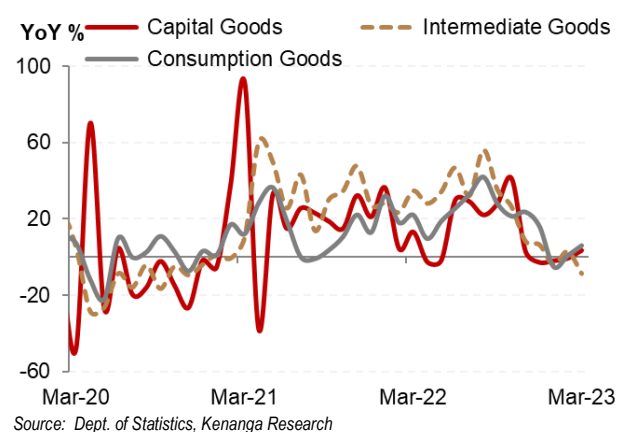
Graph 1: External Trade Growth



Graph 2: Exports by Destination



Graph 3: Imports by End Use



20 April 2023

Table 1: Malaysia External Trade Growth Trend

		2020	2021	2022	Mar-22	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23	Mar-23
Total Trade	%YoY	25.9	38.4	0.7	27.1	21.1	15.3	8.3	1.8	11.0	-1.6
Trade Balance	RM bil	183.3	253.7	255.5	26.6	18.1	21.8	28.1	18.1	19.6	26.7
Exports	%YoY	-1.1	26.1	25.0	25.0	14.9	15.1	5.9	1.4	9.8	-1.4
	%MoM				28.6	-8.8	-1.5	1.6	-14.5	-0.3	15.5
Manufacturing	%YoY	1.1	25.7	22.3	19.1	12.5	14.5	4.6	-0.3	9.5	-0.4
	Shr	86.3	86.1	84.2	83.2	84.4	84.6	83.8	84.2	85.0	84.0
Agriculture	%YoY	8.7	36.8	23.3	41.2	-6.8	-11.2	-0.4	-19.8	-9.0	-10.8
	Shr	7.3	7.9	7.8	8.0	6.5	6.8	8.4	6.2	6.4	7.3
Mining	%YoY	-28.3	18.9	68.4	105.8	85.8	61.8	30.7	50.1	34.8	-3.5
	Shr	5.9	5.6	7.5	8.2	8.5	8.0	7.3	9.1	8.2	8.0
Others	%YoY	-40.2	11.5	52.0	84.4	17.5	9.3	1.4	-12.9	-16.3	78.4
	Shr	0.4	0.4	0.5	0.6	0.5	0.5	0.5	0.5	0.5	0.7
Imports	%YoY	-5.8	23.3	31.3	29.7	29.1	15.6	11.5	2.2	12.4	-1.8
	%MoM				27.2	1.0	-4.9	-4.0	-8.8	-1.9	11.1
Capital	%YoY	-9.4	14.4	15.8	13.1	41.2	2.9	-2.9	-1.9	-0.7	3.5
	Shr	11.3	10.5	9.3	9.0	10.3	9.0	9.6	10.2	8.5	9.5
Intermediate	%YoY	-8.1	27.2	29.2	34.7	26.4	8.2	6.4	-4.2	2.9	-8.7
	Shr	53.6	55.3	54.4	56.2	53.5	55.0	52.5	51.2	52.6	52.2
Consumption	%YoY	0.0	13.2	24.0	22.3	21.6	23.9	16.2	-4.8	1.0	6.2
	Shr	9.3	8.5	8.0	8.3	7.5	8.8	8.9	8.7	7.6	9.0

*Shr = share to total exports or imports.

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

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