

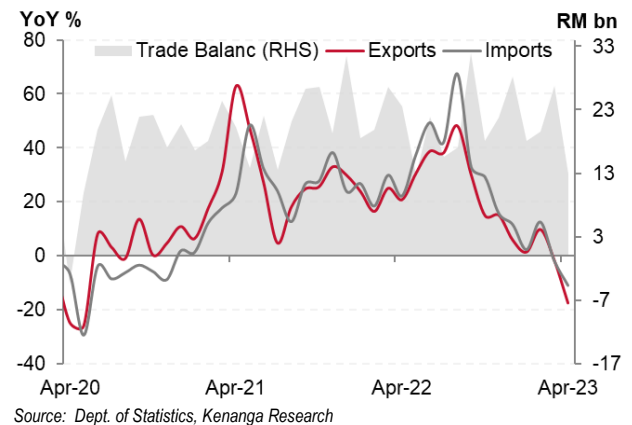
22 May 2023

Malaysia External Trade

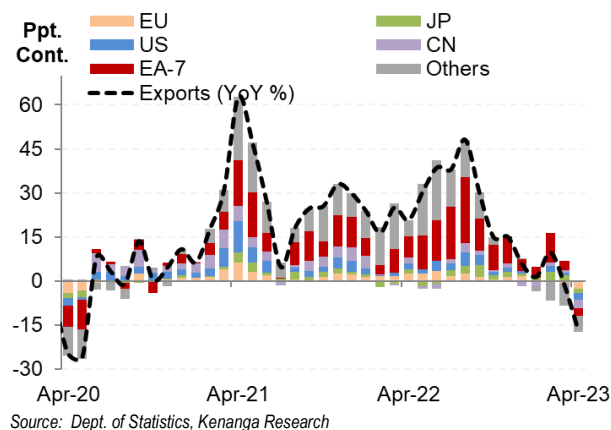
Exports fell larger than expected in April on weak commodity prices and global demand

- Exports fell sharply in April (-17.4 YoY; Mar: -1.4%) far below expectations (KIBB: -5.3%; consensus: -5.0%)**
 - MoM (-18.7%; Mar: 15.5%): steepest drop since April 2020, following a sharp rebound in the previous month and indicating a weak external trade momentum at the start of 2Q23.
- Sluggish export growth due to a broad-based slowdown among major trading partners and key sector**
 - By destination: weak demand led by the EU (-30.5%; Mar: -5.7%), followed by the US (-21.5%; Mar: 7.8%) and CN (-19.9%; Mar: 6.7%).
 - By sector: subdued demand led by agriculture (-29.2%; Mar: -10.9%), followed by mining (-28.9%; Mar: -3.2%) and manufacturing (-15.5%; Mar: -0.5%) sectors.
- Imports contracted (-11.1%; Mar: -1.8%) for the second straight month, the lowest since May 2020**, while also far below expectations (KIBB: -2.9%; consensus: -2.4%). On a MoM basis, growth fell sharply (-10.1%; Mar: 11.1%), the lowest since February 2022, indicating a weak domestic demand in line with a sharp contraction in retained imports (-15.6%; Mar: -5.6%) and a slowdown in re-exports (3.8%; Mar: 10.3%)
 - By category, growth was dragged by the weak intermediate (-24.2%; Mar: -9.0%) and consumption (-1.6%; Mar: 6.4%) goods. Nonetheless, the growth slowdown was partially mitigated by a sharp expansion in capital goods (11.8%; Mar: 3.1%).
- Trade surplus narrowed sharply to RM12.8b (Mar: RM26.7b), the lowest since May 2022 and below expectations (KIBB: RM19.7b; consensus: RM21.2b) as MoM exports (-18.7%) contraction outpaced imports (-10.1%)**
 - Likewise, total trade declined sharply (-14.5%; Mar: -1.6%) to the lowest since May 2020.
- 2023 exports forecast revised down to -4.2% from 5.8% (2022: 25.0%) due to the prospect of slower global growth**
 - Given the weaker-than-expected trade performance in April and subdued year-to-date performance of -2.6% (Jan-Apr 2022: 21.7%), we downgrade our 2023 exports forecast as there is a high probability that exports could contract further in the near term. This is mainly due to the high base recorded last year, coupled with relatively lower commodity prices and the normalisation of economic activities as well as tighter financial conditions brought by the aggressive monetary policy tightening in the advanced economies to tame inflation.
 - At this juncture, we maintain our 2023 GDP growth forecast unchanged at 4.7% (2022: 8.7%) despite a slowing external trade trend in the first month of the second quarter. This is largely due to the expectation that domestic demand fueled by tourism recovery, steady labour market conditions and further expansion in the services sector will mitigate the slack in the commodity-related and manufacturing export-oriented sectors. However, this will also be contingent on the pace of economic recovery from China and backed by the progress of federal government spending on infrastructure projects and higher implementation rate of foreign direct investments (FDI).

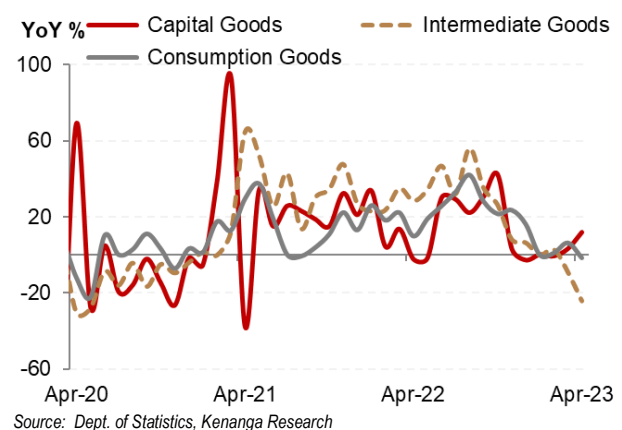
Graph 1: External Trade Growth



Graph 2: Exports by Destination



Graph 3: Imports by End Use



22 May 2023

Table 1: Malaysia External Trade Growth Trend

		2020	2021	2022	Apr-22	Nov-22	Dec-22	Jan-23	Feb-23	Mar-23	Apr-23
Total Trade	%YoY	25.9	38.4	0.7	21.4	15.3	8.3	1.8	11.0	-1.6	-14.5
Trade Balance	RM bil	183.3	253.7	255.5	23.5	21.8	28.1	18.1	19.6	26.7	12.8
Exports	%YoY	-1.1	26.1	25.0	20.8	15.1	5.9	1.4	9.8	-1.4	-17.4
	%MoM				-3.0	-1.5	1.6	-14.5	-0.3	15.5	-18.7
Manufacturing	%YoY	1.1	25.7	22.3	17.3	14.5	4.6	-0.1	9.5	-0.5	-15.5
	Shr	86.3	86.1	84.2	84.3	84.6	83.8	84.2	85.0	84.0	86.2
Agriculture	%YoY	8.7	36.8	23.3	29.8	-11.2	-0.4	-19.8	-9.0	-10.9	-29.2
	Shr	7.3	7.9	7.8	8.0	6.8	8.4	6.2	6.4	7.3	6.8
Mining	%YoY	-28.3	18.9	68.4	64.5	61.8	30.7	50.1	34.8	-3.2	-28.9
	Shr	5.9	5.6	7.5	7.3	8.0	7.3	9.1	8.2	8.0	6.3
Others	%YoY	-40.2	11.5	52.0	-26.4	9.3	1.4	-11.2	-17.8	78.1	-24.4
	Shr	0.4	0.4	0.5	0.4	0.5	0.5	0.6	0.5	0.7	0.7
Imports	%YoY	-5.8	23.3	31.3	22.1	15.6	11.5	2.2	12.4	-1.8	-11.1
	%MoM				-0.8	-4.9	-4.0	-8.8	-1.9	11.1	-10.1
Capital	%YoY	-9.4	14.4	15.8	-2.4	3.2	-2.8	0.0	-0.7	3.1	11.8
	Shr	11.3	10.5	9.3	8.7	9.1	9.6	10.2	8.5	9.4	11.0
Intermediate	%YoY	-8.1	27.2	29.2	28.4	8.2	6.4	0.0	2.9	-9.0	-24.2
	Shr	53.6	55.3	54.4	57.4	54.9	52.5	51.2	52.6	52.1	48.9
Consumption	%YoY	0.0	13.2	24.0	9.9	23.6	16.2	0.0	1.0	6.4	-1.6
	Shr	9.3	8.5	8.0	8.0	8.8	8.9	8.7	7.6	9.0	8.8

*Shr = share to total exports or imports.

Source: Dept. of Statistics preliminary release, Kenanga Research

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