

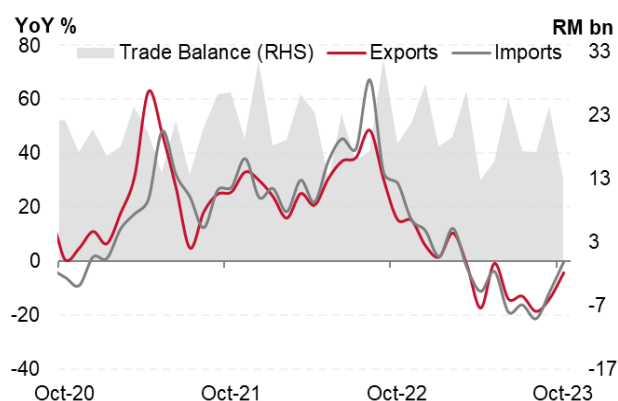
21 November 2023

# Malaysia External Trade

Smaller contraction in October amid easing base effect and strong exports to US and China

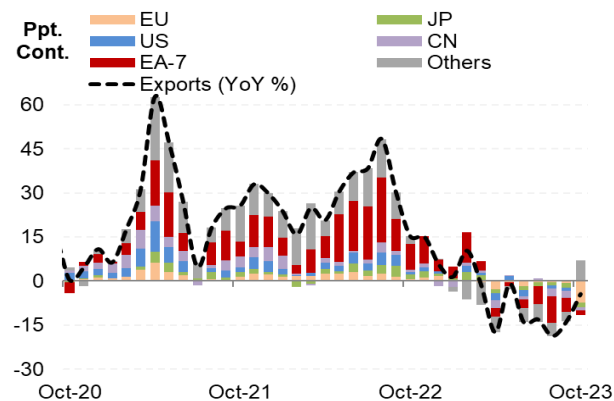
- **Exports experienced a smaller contraction (-4.4% YoY; Sep: -13.8%), surpassing expectations (KIBB: -9.3%; consensus: -5.0%) as the impact of the high base effect diminished**
  - MoM (1.5%; Sep: 8.1%): expanded for the second consecutive month but at a slower pace.
- **Export growth was supported by an improvement in shipments to major trading partners and a rebound in the agriculture sector**
  - **By destination:** supported by a rebound in exports to the US (4.0%; Sep: -9.3%) contributing 0.4 ppts (Sep: -1.1 ppts) to overall export growth. Moreover, there was a lesser contraction among major trade partners, led by CN (-7.0%; Sep: -17.3%), followed by SG (-8.2%; Sep: -12.0%) and JP (-23.4%; Sep: -25.5%). Notably, the export share to CN of the total exports expanded (13.6%; Sep: 13.4%), reaching a three-month high.
  - **By sector:** growth in agriculture exports rebounded into positive territory (3.3%; Sep: -23.1%) for the first time in 13 months, thereby supporting overall growth. This was also supported by a lower contraction in manufacturing (-3.5%; Sep: -11.9%) and mining (-21.9%; Sep: -28.5%) sectors.
  - **By product:** largely weighed down by the continued weakness in commodity-related exports, particularly LNG (-34.9%; Sep: -37.8%), petroleum products (-23.7%; Sep: -37.8%), crude petroleum (-37.8%; Sep: -13.9%) and palm oil-based manufactured products (-15.1%; Sep: -20.4%). Meanwhile, the export of E&E, the largest export product accounting for 47.7% of total exports, contracted at a slower rate (-2.3%; Sep: -5.6%) over the past three months.
- **Imports fell marginally (-0.2%; Sep: -11.1%), surpassing expectations (KIBB: -9.9%; consensus: -9.3%)**
  - The smaller contraction in import growth was mainly due to a slight rebound in retained imports (0.6%; Sep: -8.0%) and a reduced contraction in re-exports (-2.2%; Sep: -18.3%).
  - **By category,** growth was driven by a strong rebound in consumption (9.9%; Sep: -0.5%) and capital (8.6%; Sep: -6.4%) goods, but this was partially offset by a slowdown in intermediate (-7.9%; Sep: -15.2%) goods.
  - Nevertheless, imports expanded strongly on MoM (13.4%; Sep: 2.1%), the highest since March 2022.
- **Trade surplus narrowed to a six-month low at RM12.9b (Sep: RM24.4b), lower than expectations (KIBB: RM17.4b; consensus: RM21.7b) as the MoM rebound in imports surpassed exports**
  - Total trade remained weak (-2.4%; Sep: -12.6%), but contraction eased as MoM growth gained 6.8% (Sep: 5.3%).
- **2023 exports forecast remains at -5.7% (2022: 24.9%) in anticipation of a slight recovery in the final quarter**
  - Year to date (Jan-Oct), exports fell by 8.0%, a slight improvement from the previous period (Jan-Sep: -8.4%). The weaker export performance was mainly due to the subdued export of commodity-related goods amid lower commodity prices and global trade activity, alongside the effect of the high base recorded last year. While we expect the export contraction will continue through the end of the year, we expect the extent of the slowdown to ease as the impact of the high base effect diminishes. In 2024, we expect a strong rebound, with exports projected to grow by 9.4%.
  - Considering the better-than-expected GDP growth in 3Q23 (3.3%; 2Q23: 2.9%) and the anticipation of a gradual easing in export contraction, we expect GDP growth to remain robust at 3.7% in 4Q23, bringing the full-year growth to settle near the upper end of our forecast range of 3.5% - 4.0% (2022: 8.7%). Moving forward, the recovery in the external sector is expected to extend in 2024, subsequently supporting GDP growth to expand to our forecast of 4.9% in 2024.

Graph 1: External Trade Growth



Source: Dept. of Statistics, Kenanga Research

Graph 2: Exports by Destination



Source: Dept. of Statistics, Kenanga Research

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

		2020	2021	2022	Oct-22	May-23	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23
Total Trade	%YoY	25.9	38.4	1.0	21.3	-2.2	-16.2	-14.5	-19.9	-12.6	-2.4
<b>Trade Balance</b>	<b>RM bil</b>	<b>183.3</b>	<b>253.7</b>	<b>256.2</b>	<b>18.5</b>	<b>15.7</b>	<b>25.5</b>	<b>17.4</b>	<b>17.2</b>	<b>24.4</b>	<b>12.9</b>
<b>Exports</b>	<b>%YoY</b>	<b>-1.1</b>	<b>26.1</b>	<b>24.9</b>	<b>15.3</b>	<b>-0.9</b>	<b>-14.1</b>	<b>-13.0</b>	<b>-18.7</b>	<b>-13.8</b>	<b>-4.4</b>
	%MoM				-8.5	13.6	3.7	-5.8	-1.5	8.1	1.5
Manufacturing	%YoY	1.1	25.7	22.2	12.9	1.7	-9.5	-9.7	-17.7	-11.9	-3.5
	Shr	86.3	86.1	84.2	84.5	85.4	87.8	86.8	85.4	86.6	85.3
Agriculture	%YoY	8.7	36.8	23.2	-6.8	-31.0	-42.3	-28.1	-27.2	-23.1	3.3
	Shr	7.3	7.9	7.8	6.5	6.2	6.0	6.5	6.6	6.5	7.1
Mining	%YoY	-28.3	18.9	69.2	85.5	5.9	-34.9	-33.6	-23.3	-28.5	-21.9
	Shr	5.9	5.6	7.6	8.5	7.8	5.6	6.3	7.3	6.4	6.9
Others	%YoY	-40.2	11.5	52.3	14.3	4.6	16.7	-38.4	40.0	5.5	27.3
	Shr	0.4	0.4	0.5	0.5	0.6	0.7	0.4	0.6	0.6	0.8
<b>Imports</b>	<b>%YoY</b>	<b>-5.8</b>	<b>23.3</b>	<b>31.0</b>	<b>29.1</b>	<b>-3.7</b>	<b>-18.7</b>	<b>-16.1</b>	<b>-21.2</b>	<b>-11.1</b>	<b>-0.2</b>
	%MoM				1.0	12.1	-5.2	1.1	-1.6	2.1	13.4
Capital	%YoY	-9.4	14.4	15.8	41.2	13.0	-12.6	-4.3	5.3	-6.4	8.6
	Shr	11.3	10.5	9.3	10.3	9.5	9.9	10.5	10.9	10.8	11.2
Intermediate	%YoY	-8.1	27.2	29.5	26.4	-13.0	-25.3	-20.8	-22.5	-15.2	-7.9
	Shr	53.6	55.3	54.6	53.5	52.9	48.7	49.2	52.6	49.7	49.3
Consumption	%YoY	0.0	13.2	24.0	21.5	4.5	-11.9	2.8	-5.5	-0.5	9.9
	Shr	9.3	8.5	8.0	7.5	8.5	8.3	8.8	8.7	8.8	8.3

\*Shr = share to total exports or imports.

Source: Dept. of Statistics preliminary release, Kenanga Research

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