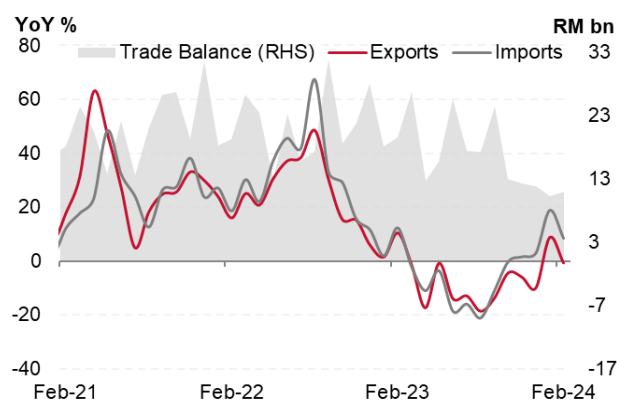


# Malaysia External Trade

Export fell slightly in February, but imports remain firm

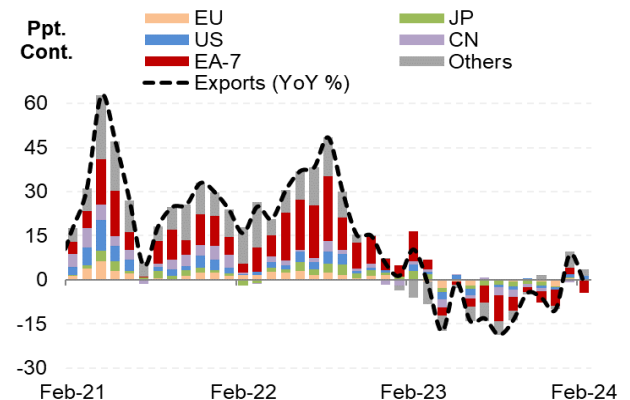
- Exports fell slightly in February (-0.8% YoY; Jan: 8.7%), below expectations (KIBB: 3.0%; consensus: 2.4%)**
  - MoM (-9.1%; Jan: 3.4%): fell sharply, partly due to seasonal factors amid factory shutdown during the Chinese New Year holidays.
- Lower shipments to major trading partners, and weak demand for manufactured products**
  - By destination:** exports to major destinations demonstrated a mixed performance. Although growth remained supported by positive exports to the US (10.1%; Jan: 11.9%) and Japan (5.6%; Jan: 2.8%), it was dragged down by sustained weakness in shipments to China (-0.4%; Jan: -7.4%) and Singapore (-15.3%; Jan: -2.7%).
  - By sector:** mainly dragged by weak export of manufacturing (-2.4%; Jan: 9.3%) and agriculture (-4.8%; Jan: 17.3%) sectors but was partially supported by a sharp rebound in mining (16.8%; Jan: -4.9%) sector.
  - By product:** mainly due to weak exports of electrical & electronic (E&E) (-9.8%; Jan: -6.5%) products which remained in contraction since August 2023 as well as subdued exports of petroleum products (-14.0%; Jan: 24.2%).
- Imports slowed (8.4%; Jan: 18.7%), below house projection (13.7%) but surpassing consensus (7.5%) as it was still supported by the lower base effect**
  - Growth was also weighed down by weak re-exports (-20.2%; Jan: 4.1%), but partially mitigated by retained imports (18.8%; Jan: 24.5%) albeit slower.
  - By category:** it was a broad-based moderation, led by capital goods (30.3%; Jan: 41.5%), followed by consumption goods (19.7%; Jan: 25.3%) and intermediate goods (14.3%; Jan: 21.3%).
  - MoM (-10.5%; Jan: 5.3%): fell sharply.
- Trade surplus expanded slightly to RM10.9b (Jan: RM10.2b), beating house estimate of RM10.3b, but lower than consensus of RM12.3b as imports outperforms exports on a MoM basis**
  - Meanwhile, total trade moderated sharply (3.3%; Jan: 13.3%) but remained positive for the second straight month.
- 2024 export growth forecast retained at 9.4% (2023: -8.0%) on an expected turnaround in the export of E&E and a demand recovery from China particularly in the 2H24**
  - We anticipate export growth to gradually improve in the coming months, expecting a double-digit expansion by year-end, driven by a tech sector upturn and China's steady economic rebound underpinned by the ongoing government stimulus. However, we maintain a cautious outlook due to potential disruptions from rising geopolitical tensions that could disrupt the global supply chain and trade activities. A slower-than-expected recovery in China may also cap the growth potential, particularly in the export-oriented sector.
  - We expect a recovery in the manufacturing export-oriented sector, alongside domestic demand growth driven by a lower unemployment rate and improving household income. That said, our GDP growth forecast for 2024 remains at 4.5% - 5.0% in 2024 (2023: 3.7%).

Graph 1: External Trade Growth



Source: Dept. of Statistics, Kenanga Research

Graph 2: Exports by Destination



Source: Dept. of Statistics, Kenanga Research

19 March 2024

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

		2020	2021	2022	2023	Feb-23	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24
Total Trade	%YoY	25.9	38.4	1.0	-16.4	11.2	-12.6	-2.5	-2.7	-4.3	13.3	3.3
<b>Trade Balance</b>	<b>RM bil</b>	<b>183.3</b>	<b>253.7</b>	<b>256.2</b>	<b>214.1</b>	<b>19.6</b>	<b>24.4</b>	<b>12.9</b>	<b>12.2</b>	<b>11.7</b>	<b>10.2</b>	<b>10.9</b>
<b>Exports</b>	<b>%YoY</b>	<b>-1.1</b>	<b>26.1</b>	<b>24.9</b>	<b>-8.0</b>	<b>10.3</b>	<b>-13.8</b>	<b>-4.5</b>	<b>-6.1</b>	<b>-10.1</b>	<b>8.7</b>	<b>-0.8</b>
	%MoM					-0.3	8.1	1.4	-3.5	-2.8	3.4	-9.1
Manufacturing	%YoY	1.1	25.7	22.4	-6.9	9.5	-11.9	-3.3	-6.7	-10.4	9.3	-2.4
	Shr	86.3	86.1	84.2	85.4	85.0	86.6	85.3	84.1	83.6	84.7	83.6
Agriculture	%YoY	8.7	36.8	23.3	-22.1	-9.0	-23.1	3.2	-6.0	-25.9	17.3	-4.8
	Shr	7.3	7.9	7.8	6.6	6.4	6.5	7.1	6.9	6.9	6.7	6.1
Mining	%YoY	-28.3	18.9	67.0	-10.1	34.8	-28.6	-22.0	-2.3	9.0	-4.9	16.8
	Shr	5.9	5.6	7.6	7.4	8.2	6.4	6.9	8.4	8.8	7.9	9.7
Others	%YoY	-40.2	11.5	51.5	26.5	-16.3	5.5	27.5	-8.5	2.6	-11.5	-13.5
	Shr	0.4	0.4	0.5	0.6	0.5	0.6	0.8	0.7	0.8	0.7	0.6
<b>Imports</b>	<b>%YoY</b>	<b>-5.8</b>	<b>23.3</b>	<b>31.0</b>	<b>-6.4</b>	<b>12.2</b>	<b>-11.1</b>	<b>-0.3</b>	<b>1.5</b>	<b>2.9</b>	<b>18.7</b>	<b>8.4</b>
	%MoM					-1.9	2.1	13.3	-3.3	-2.6	5.3	-10.5
Capital	%YoY	-9.4	14.4	15.8	7.2	-0.7	-6.4	8.6	51.3	23.7	41.5	30.3
	Shr	11.3	10.5	9.3	10.6	8.5	10.8	11.2	13.5	11.5	12.2	10.2
Intermediate	%YoY	-8.1	27.2	29.5	-12.1	2.2	-15.2	-8.1	-5.6	10.2	21.3	14.3
	Shr	53.6	55.3	54.6	51.2	52.6	49.7	49.3	51.1	56.3	52.4	55.5
Consumption	%YoY	0.0	13.2	24.0	0.1	1.1	-0.5	9.9	2.4	-0.7	25.3	19.7
	Shr	9.3	8.5	8.0	8.6	7.6	8.8	8.3	8.9	8.6	9.2	8.4

\*Shr = share to total exports or imports.

Source: Dept. of Statistics preliminary release, Kenanga Research

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