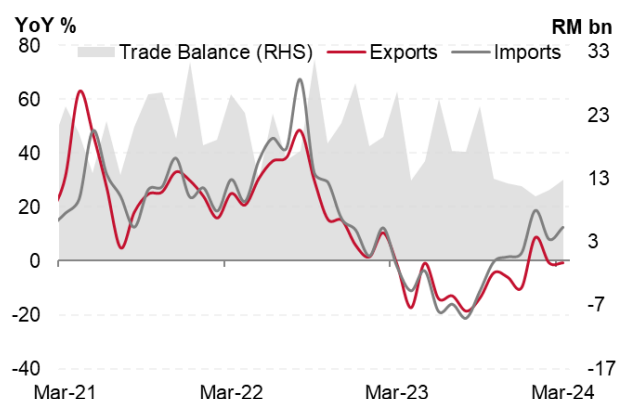


# Malaysia External Trade

March imports surge on strong domestic demand while exports stay subdued

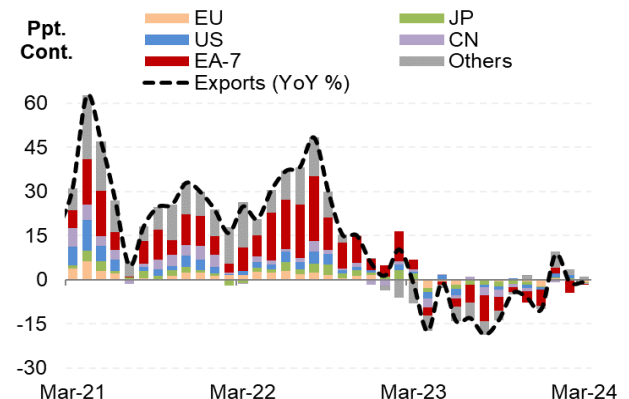
- Exports fell marginally by 0.8% in March, matching February's decline, but better than expected (KIBB: -3.4%; consensus: -1.1%)**
  - MoM (15.5%; Feb: -9.0%): rebounded sharply to a 21-month high, following a contraction in the previous month.
  - 1Q24 (2.2%; 4Q23: -6.9%): rebounded, following three consecutive quarters of contraction, indicating a positive turnaround in external demand during the quarter.
- Shipments to major trading partners and key manufactured products remained weak**
  - By destination:** exports to key destinations demonstrated a weak performance. Although growth remained supported by positive exports to the US (3.0%; Feb: 10.1%), the pace was the slowest in three months. Meanwhile, exports to the EU (-10.3%; Feb: -1.8%), Singapore (-6.8%; Feb: -15.3%) and China (-2.1%; Feb: -0.4%), remained weak, with shipment to Japan (-5.4%; Feb: 5.7%) fell to a four-month low.
  - By sector:** mainly dragged by weak agriculture exports (-17.3%; Feb: -5.1%) and moderate growth in mining (0.2%; Feb: 17.3%). Nevertheless, growth was partially supported by a marginal rebound in the manufacturing segment (0.7%; Feb: -2.4%), the largest sector contributing 85.2% share of overall exports.
  - By major product:** mainly due to weak exports of palm oil & palm-based products (-22.8%; Feb: -10.9%), followed by petroleum products (-9.9%; Feb: -14.0%) and Electrical & Electronic Products (E&E) (-1.5%; -9.7%).
- Supported by a stronger domestic demand, imports remained firm and expanded to a two-month high (12.5%; Feb: 8.0%), beating consensus (9.8%) but slightly below house projection (13.2%)**
  - Growth was mainly contributed by higher retained imports (20.6%; Feb: 18.3%) but partially weighed down by re-exports (-20.2%; Feb: 11.6%).
  - By category:** it was driven by higher capital goods (66.2%; Feb: 30.0%), which partially mitigated the slowdown in intermediate (10.5%; Feb: 13.7%) and consumption (1.2%; Feb: 19.6%) goods.
  - MoM (15.7%; Feb: -10.8%): rebounded sharply, charting the highest growth since March 2022.
  - 1Q24 (13.1%; 4Q23: 1.3%): surged to a five-quarter high.
- Trade surplus expanded to RM12.8b (Feb: RM11.2b), beating expectations (KIBB: RM8.7b; consensus: RM12.3b) as exports outperforms imports in value terms**
  - 1Q24 (RM34.2b; 4Q23: RM36.9b): however, the trade surplus narrowed to the lowest level since 2Q20 (RM25.3b).
  - Meanwhile, total trade expanded (5.1% YoY; Feb: 3.2%) charting a positive growth for the third straight month. In addition, it also rebounded to 7.1% in the 1Q24 (4Q23: -3.2%) following three straight quarters of decline.
- 2024 export growth forecast maintained at 9.4% (2023: -8.0%)**
  - We continue to expect export growth to gradually improve in the coming months, registering a double-digit expansion by year-end. This is largely attributable to the potential swing in the technology upcycle in the 2H24 and China's steady economic rebound supported by ongoing government stimulus. Besides, growth is likely to be supported by demand from regional economies and better-than-expected performance from advanced economies. Nevertheless, our export performance is still susceptible to external factors especially potential disruptions from rising geopolitical tensions in the Middle East including a possible prolonged war and sanctions, that could disrupt the global supply chain and trade activities.
  - Overall, we continue to expect a recovery in the manufacturing export-oriented sector, alongside sustained domestic demand to support our GDP growth outlook. That said, we maintain our GDP growth forecast for 2024 at 4.5% - 5.0% in 2024 (2023: 3.7%) as we expect momentum to gradually pick up in the 2H24.

Graph 1: External Trade Growth



Source: Dept. of Statistics, Kenanga Research

Graph 2: Exports by Destination



Source: Dept. of Statistics, Kenanga Research

22 April 2024

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

		2020	2021	2022	2023	Mar-23	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24
Total Trade	%YoY	25.9	38.4	1.0	-16.4	-1.7	-2.5	-2.7	-4.3	13.3	3.2	5.1
<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>26.7</b>	<b>12.9</b>	<b>12.2</b>	<b>11.7</b>	<b>10.2</b>	<b>11.2</b>	<b>12.8</b>
<b>Exports</b>	<b>%YoY</b>	<b>-1.1</b>	<b>26.1</b>	<b>24.9</b>	<b>-8.0</b>	<b>-1.4</b>	<b>-4.5</b>	<b>-6.1</b>	<b>-10.1</b>	<b>8.7</b>	<b>-0.8</b>	<b>-0.8</b>
	%MoM					15.5	1.4	-3.5	-2.8	3.4	-9.0	15.5
Manufacturing	%YoY	1.1	25.7	22.4	-6.9	-0.5	-3.3	-6.7	-10.4	9.3	-2.4	0.7
	Shr	86.3	86.1	84.2	85.4	84.0	85.3	84.1	83.6	84.7	83.6	85.2
Agriculture	%YoY	8.7	36.8	23.3	-22.1	-10.9	3.2	-6.0	-25.9	17.3	-5.1	-17.3
	Shr	7.3	7.9	7.8	6.6	7.3	7.1	6.9	6.9	6.7	6.1	6.1
Mining	%YoY	-28.3	18.9	67.0	-10.1	-3.2	-22.0	-2.3	9.0	-4.9	17.3	0.2
	Shr	5.9	5.6	7.6	7.4	8.0	6.9	8.4	8.8	7.9	9.7	8.1
Others	%YoY	-40.2	11.5	51.5	26.5	78.1	27.5	-8.5	3.8	-12.5	-12.2	12.0
	Shr	0.4	0.4	0.5	0.6	0.7	0.8	0.7	0.8	0.7	0.6	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>-2.2</b>	<b>-0.3</b>	<b>1.5</b>	<b>2.9</b>	<b>18.7</b>	<b>8.0</b>	<b>12.5</b>
	%MoM					11.1	13.3	-3.3	-2.6	5.3	-10.8	15.7
Capital	%YoY	-9.4	14.4	15.8	7.2	3.1	8.6	51.3	23.7	41.5	30.0	66.2
	Shr	11.3	10.5	9.3	10.6	9.4	11.2	13.5	11.5	12.2	10.2	14.0
Intermediate	%YoY	-8.1	27.2	29.5	-12.1	-9.7	-8.1	-5.6	10.2	21.3	13.7	10.5
	Shr	53.6	55.3	54.6	51.2	52.1	49.3	51.1	56.3	52.4	55.4	51.2
Consumption	%YoY	0.0	13.2	24.0	0.1	6.4	9.9	2.4	-0.7	25.3	19.6	1.2
	Shr	9.3	8.5	8.0	8.6	9.0	8.3	8.9	8.6	9.2	8.4	8.1

\*Shr = share to total exports or imports,

Source: Dept. of Statistics preliminary release, Kenanga Research

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