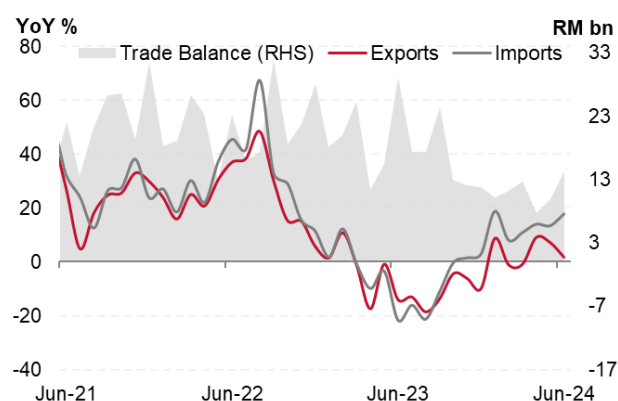


# Malaysia External Trade

June exports slowed sharply amid slower recovery in the manufacturing sector

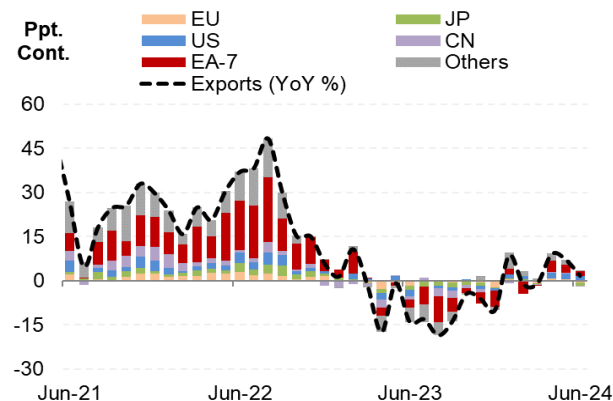
- Exports moderated sharply to 1.7% (May: 7.1%), below market expectations (consensus: 3.3%) but slightly above our house forecast (KIBB: 1.4%)**
  - MoM (-1.6%; May: 11.6%): contracted, after a sharp rebound in the previous month.
  - 2Q24 (5.8%; 1Q24: 2.0%): expanded for the second straight quarter, and highest since 4Q22 (11.9%) reflecting an improved export performance during the quarter.
- Weak exports due to lower shipments to major trading partners and slower manufacturing sector recovery**
  - By destination:** exports to key destinations were relatively weak except to the US (14.0%; May: 17.4%) which remained positive. Weak shipment was observed led by Japan (-18.6%; May: 0.4%), followed by EU (-8.2%; May: 6.9%), Singapore (-3.0%; May: 13.6%) and China (-2.0%; May: 1.6%).
  - By sector:** slower growth due to a sharp moderation in export of the manufacturing sector (1.0%; May: 8.1%), which made up of 87.1% share of total exports (May: 86.2%). This was also associated with a lower shipment in the agriculture (1.7%; May: 21.9%) sector. Nonetheless, overall growth was partially mitigated by the sharp rebound in the mining (15.1%; May: -17.2%) sector.
  - By major product:** lower export of key manufacturing products such as Electrical & Electronic (E&E) (-1.6%; May: 7.6%), which account for 45.2% share of total exports. This was further weighed by weak export of petroleum products (-7.3%; May: -18.6%). However, growth was partially mitigated by a sharp rebound of liquefied natural gas (LNG) (23.7%; May: -21.2%).
- Imports expanded in June (17.8%; May: 13.4%) on a lower base effect, beating market expectations (consensus: 15.5%) but slightly lower than house projection (KIBB: 18.7%)**
  - Growth expansion was mainly contributed by retained imports (33.2%; May: 23.0%) but partially capped by persistent weakness in re-exports (-15.1%; May: -14.1%), reflecting strong domestic demand.
  - By category:** supported by the surge in intermediate goods (37.2%; May: 24.1%) but growth momentum was partially weighed down by the moderation in consumption goods (13.5%; May: 14.9%) and capital goods (23.5%; May: 40.3%), albeit remaining in double-digit growth expansion.
  - MoM (-5.4%; May: 10.4%): fell sharply.
  - 2Q24 (15.0%; 1Q24: 12.5%): expanded for the third straight quarter.
- Trade surplus expanded for the second straight month to RM14.3b (May: RM10.0b), beating expectations (KIBB: RM8.9b; consensus: RM13.2b), and bringing 2Q24 surplus to RM32.0b (1Q24: RM34.1)**
  - Meanwhile, total trade moderated to 8.7% YoY (May: 10.1%), while MoM fell by 3.4% (May: 11.0%). Nevertheless, overall growth expanded to 10.0% YoY in 2Q24 (1Q24: 6.8%), reflecting an improved trade activity.
- We slightly revised the 2024 export growth forecast to 7.3% (2023: -8.0%) from the previous forecast of 9.4%**
  - In the first six months, exports grew 3.9% YoY (Jan-May: 4.4%), reflecting a slower recovery than we initially anticipated. However, growth is expected to pick up pace in the 2H24 on the back of lower base effect from the previous year and the ongoing recovery in the technology sector. Additionally, we expect export growth to be supported by regional economies and potentially better-than-expected performance from advanced economies as major global central banks are anticipated to lean towards monetary policy easing to support domestic demand. However, our export forecast remains susceptible to downside risks, mainly from global economic uncertainties including escalating geopolitical tensions, such as the Red Sea crisis and renewed US-China tensions. However, we anticipate minimal impact given that Malaysia is expected to benefit from the trade and investment diversion.
  - Likewise, we maintain our 2Q24 GDP growth forecast of 5.1% (1Q24: 4.2%) with the DOSM Advanced GDP slated for release on July 19. This brings the overall 2024 GDP growth forecast to 4.5% - 5.0% (2023: 3.6%).

Graph 1: External Trade Growth



Source: Dept. of Statistics, Kenanga Research

Graph 2: Exports by Destination



Source: Dept. of Statistics, Kenanga Research

19 July 2024

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

		2020	2021	2022	2023	Jun-23	Jan-24	Feb-24	Mar-24	Apr-24	May-24	Jun-24
Total Trade	%YoY	25.9	38.4	1.0	-16.4	-17.5	13.3	3.0	4.4	11.4	10.1	8.7
<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>29.1</b>	<b>10.2</b>	<b>11.2</b>	<b>12.7</b>	<b>7.7</b>	<b>10.0</b>	<b>14.3</b>
<b>Exports</b>	<b>%YoY</b>	<b>-1.1</b>	<b>26.1</b>	<b>24.9</b>	<b>-8.0</b>	<b>-14.1</b>	<b>8.6</b>	<b>-1.2</b>	<b>-0.9</b>	<b>9.1</b>	<b>7.1</b>	<b>1.7</b>
	%MoM					3.7	3.3	-9.0	15.5	-10.8	11.6	-1.6
Manufacturing	%YoY	1.1	25.7	22.4	-6.9	-11.0	9.3	-2.4	0.6	7.1	8.1	1.0
	Shr	86.3	86.1	84.2	85.4	87.7	84.7	83.6	85.2	84.8	86.2	87.1
Agriculture	%YoY	8.7	36.8	23.3	-22.1	-42.0	17.3	-5.1	-17.4	13.6	21.9	1.7
	Shr	7.3	7.9	7.8	6.6	6.1	6.7	6.1	6.0	7.1	7.1	6.1
Mining	%YoY	-28.3	18.9	67.0	-10.1	-34.4	-4.9	17.3	0.3	27.6	-17.2	15.1
	Shr	5.9	5.6	7.6	7.4	5.6	7.9	9.7	8.1	7.2	6.0	6.3
Others	%YoY	-40.2	11.5	51.5	26.5	16.9	-12.5	-12.2	11.6	25.7	-6.8	-20.3
	Shr	0.4	0.4	0.5	0.6	0.7	0.7	0.6	0.6	0.9	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>-21.7</b>	<b>18.8</b>	<b>8.0</b>	<b>10.9</b>	<b>14.0</b>	<b>13.4</b>	<b>17.8</b>
	%MoM					-8.9	5.3	-10.8	15.7	-7.7	10.4	-5.4
Capital	%YoY	-9.4	14.4	15.8	7.2	-12.6	41.5	30.0	66.3	8.6	40.3	23.5
	Shr	11.3	10.5	9.3	10.6	10.2	12.2	10.2	14.0	10.3	11.8	10.7
Intermediate	%YoY	-8.1	27.2	29.5	-12.1	-30.8	21.3	13.7	10.6	30.5	24.1	37.2
	Shr	53.6	55.3	54.6	51.2	46.7	52.4	55.4	51.2	55.3	57.7	54.4
Consumption	%YoY	0.0	13.2	24.0	0.1	-11.9	25.3	19.6	1.2	19.5	14.9	13.5
	Shr	9.3	8.5	8.0	8.6	8.6	9.2	8.4	8.1	9.1	8.6	8.3

\*Shr = share to total exports or imports.

Source: Dept. of Statistics preliminary release, Kenanga Research

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