

## ECONOMIC REVIEW | April 2018 External Trade

### Exports Soar 14% as Value Remains above RM84b for 2 Consecutive Months

- *Exports hit a double digit growth to highest ever April value. Exports expanded by 14%yoy to RM84.2 billion in Apr-18, following a single digit growth in the preceding month. It was the highest April's reading ever recorded, exceeding RM73.9 billion registered in Apr-17. Acceleration in exports was mainly due to growth in manufactured goods (16.8%yoy) and mining goods (4.2%yoy).*
- *Steady Stance for 2Q18. Looking at our regional partner's trade performance such as Vietnam and South Korea, exports in May-18 increased by 7.1%yoy and 13.5%yoy respectively. Based on manufacturing condition and activity, both global and emerging economies manufacturing PMI figures declined to 53.1 points and 51.1 points respectively however still maintain on expansionary trend.*
- *We forecast exports growth to average 9.3% in 2018. Underpinned by optimistic signs of key global indicators, and gradual recovery in commodities prices, we foresee Malaysia's exports will expand by 9.3% this year.*

**Exports hit a double digit growth to highest ever April value.** Exports expanded by 14%yoy to RM84.2 billion in Apr-18, following a single digit growth in the preceding month. It was the highest April's reading ever recorded, exceeding RM73.9 billion registered in Apr-17. Acceleration in exports was mainly due to growth in manufactured goods (16.8%yoy) and mining goods (4.2%yoy). Similarly, imports rebounded by 9.1%yoy to RM71.2 billion in the same month, resulting in a trade surplus of RM13.1 billion. Moving forward, Malaysia's export performance will maintain on upbeat momentum in upcoming months despite the change of government. In fact, zero-rated GST, tax holiday period till SST implementation in Sep-18 and stable retail fuel price will support our exports as it will reduce business cost and eventually increase competitiveness. Nevertheless, protectionism threats remain a concern to the economy.

**Intermediate goods imports continue to dip.** Imports of intermediate goods fell for fifth consecutive months by 11.9%yoy primarily due to lower imports of electrical machinery, equipment and parts. Similarly, imports of consumption goods also decreased by 1.8%yoy as a result of lower inbound shipments of articles of plastics. In contrast, imports of capital goods rebounded by 4.8%yoy from a contraction of 30.5%yoy in the previous month. While the continuous fall in intermediate goods in particular pointing at declining activity and confidence in the manufacturing industry, other indicators such as industrial production and manufacturing sales still signal expansions. For 1Q18, IPI and manufacturing sales registered an average growth of 3.9%yoy and 6.5%yoy respectively. In addition, growth in capital spending by manufacturers indicates steady demand for its products in the future.

**Table 1: Malaysia's External Trade Summary**

	Nov-17	Dec-17	Jan-18	Feb-18	Mar-18	Apr-18	Jan-Apr 2018
<b>Exports (RMb)</b>	<b>83.5</b>	<b>79.3</b>	<b>82.9</b>	<b>70.3</b>	<b>84.5</b>	<b>84.2</b>	<b>321.9</b>
% YoY	14.4	4.7	17.9	(2.0)	2.2	14.0	7.8
% MoM	1.5	(5.0)	4.4	(15.1)	20.1	(0.3)	-
<b>Imports (RMb)</b>	<b>73.6</b>	<b>72.1</b>	<b>73.2</b>	<b>61.3</b>	<b>69.8</b>	<b>71.2</b>	<b>275.4</b>
% YoY	15.2	7.9	11.6	(2.8)	(9.6)	9.1	1.6
% MoM	2.4	(2.0)	1.5	(16.2)	13.8	2.0	-
<b>Total Trade</b>	<b>157.1</b>	<b>151.4</b>	<b>156.0</b>	<b>131.7</b>	<b>154.2</b>	<b>155.4</b>	<b>597.3</b>
% YoY	14.8	6.2	14.9	(2.4)	(3.5)	11.7	4.9
% MoM	1.9	(3.6)	3.0	(15.6)	17.1	0.8	-
<b>Trade Balance (RMb)</b>	<b>9.9</b>	<b>7.3</b>	<b>9.7</b>	<b>9.0</b>	<b>14.7</b>	<b>13.1</b>	<b>46.4</b>
<b>Import Components</b>							
<b>Intermediate (RMb)</b>	<b>40.4</b>	<b>38.3</b>	<b>37.7</b>	<b>32.8</b>	<b>36.9</b>	<b>33.8</b>	<b>141.2</b>
% YoY	13.8	(0.7)	(1.7)	(14.7)	(14.4)	(11.9)	(10.8)
<b>Capital (RMb)</b>	<b>10.3</b>	<b>12.1</b>	<b>9.3</b>	<b>7.7</b>	<b>9.4</b>	<b>8.4</b>	<b>34.9</b>
% YoY	12.2	35.2	(3.1)	6.0	(30.5)	4.8	(9.3)
<b>Consumption (RMb)</b>	<b>6.6</b>	<b>6.2</b>	<b>6.3</b>	<b>5.2</b>	<b>5.3</b>	<b>5.6</b>	<b>22.4</b>
% YoY	6.6	(2.6)	9.8	12.6	(12.4)	(1.8)	1.3

*Note: MoM is non-seasonally adjusted figure*

Source: CIEC, MIDFR

**Exports to China rebounded by double digit growth.** Malaysia's exports to China rebounded by a double digit growth of 22%yoy in Apr-18 from two consecutive months of negative growth, mainly driven by higher exports of E&E and chemicals products. Similarly, exports to the US increased by 1.7%yoy mainly owing to higher exports of transport equipment, petroleum products and optical & scientific equipment. In contrast, exports to Japan continue to decline for fourth consecutive month largely due to lower shipments of LNG as winter demand faded. By region, exports to both EU and ASEAN grew by a double digit growth of 19.5%yoy and 13.6%yoy respectively, signifying global demand remains resilient despite fears over rising trade protectionism. Nevertheless, trade integrations such as Regional Comprehensive Economic Partnership (RCEP) and Progressive Agreement for Trans-Pacific Partnership (CPTPP) are currently left undecided as Malaysian new government is in the midst of reviewing those agreements to see if it is viable to be part of the partnerships.

**Table 2: Malaysia's Exports (YoY%)**

	Nov-17	Dec-17	Jan-18	Feb-18	Mar-18	Apr-18	Jan-Apr 2018
<b>Total Exports (RMb)</b>	<b>83.5</b>	<b>79.3</b>	<b>82.9</b>	<b>70.3</b>	<b>84.5</b>	<b>84.2</b>	<b>321.9</b>
<b>Exports by Key Country / Region</b>							
China	3.3	12.8	17.9	(9.7)	(4.7)	22.0	5.9
USA	13.4	(3.1)	8.7	3.3	(0.1)	1.7	3.2
Japan	6.7	5.8	3.3	(17.2)	(3.5)	(21.4)	(9.5)
India	(4.1)	(6.1)	19.1	1.1	10.3	4.9	8.6
Hong Kong	56.4	43.2	129.9	61.2	62.1	113.8	90.1
Australia	22.0	(9.6)	(19.6)	15.8	(11.8)	(14.5)	(9.6)
EU	12.4	11.4	13.6	(3.0)	5.3	19.5	8.6
ASEAN	18.3	(0.5)	15.6	(5.8)	(2.7)	13.6	4.8
<b>Selected ASEAN</b>							
Singapore	16.8	(3.3)	8.5	(6.0)	(4.3)	3.7	0.4
Thailand	18.2	(3.9)	16.8	(3.1)	9.5	32.4	13.4
Indonesia	34.8	(6.8)	25.7	(26.4)	(5.5)	2.1	(3.9)
Vietnam	5.0	27.4	64.5	24.8	(3.6)	44.2	28.8
Philippines	41.2	4.2	7.1	(5.1)	(10.4)	13.6	1.2

Source: CIEC, MIDFR

**Crude petroleum and E&E drove exports growth.** Exports of crude petroleum continue its double digit growth at 22.7%yoy in Apr-18 from 18.4% registered in a month earlier amid rising crude oil prices. Similarly, E&E also recorded a double digit growth at 21.2%yoy from 8.7%yoy posted in the previous month. Meanwhile, exports of LNG continue to decline at 12.5%yoy partly due to competition with LNG hub in Australia. However, we foresee exports performance of LNG to improve in upcoming months as Petronas signed an agreement with Tokyo Gas to supply LNG for a period of up to 13 years commencing Apr-18 besides its plan to buy 25% stake in LNG Canada project. Looking ahead, we believe that export performance of the key products shall stay on uptick level given that economic environment in major economies are still sanguine, both from consumer and business level plus with the recovery in commodity prices.

**Table 3: Malaysia's Exports by Major Products (YoY%)**

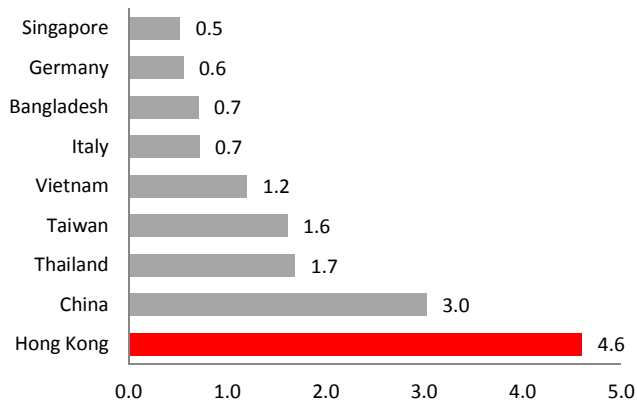
	Nov-17	Dec-17	Jan-18	Feb-18	Mar-18	Apr-18	Jan-Apr 2018
E&E	21.0	6.2	27.1	(0.1)	8.7	21.2	14.2
Machinery, Equipment & Parts	8.5	4.8	11.5	(6.1)	4.9	6.2	3.0
Optical & Scientific Equipment	15.2	5.5	18.0	11.7	(0.2)	7.7	8.8
Petroleum Products	0.2	(6.2)	2.1	57.7	5.7	16.7	2.0
Crude Petroleum	(3.1)	6.9	0.1	3.0	18.4	22.7	11.4
LNG	7.5	4.8	14.0	(11.8)	(3.3)	(12.5)	(3.4)
Palm Oil	(5.2)	(8.6)	9.4	(24.0)	(7.5)	(0.8)	(6.0)

Source: CIEC, MIDFR

**Steady Stance for 2Q18.** Looking at our regional partner's trade performance such as Vietnam and South Korea, exports in May-18 increased by 7.1%yoy and 13.5%yoy respectively. Based on manufacturing condition and activity, both global and emerging economies manufacturing PMI figures declined to 53.1 points and 51.1 points respectively however still maintain on expansionary trend. For instance, PMI of Japan went down to 52.8 points in May-18, the weakest pace of expansion since Oct-17 as both output and new orders rose at a slower pace. Similarly, PMI of US decreased slightly to 56.4 points while stood at 51.1 points for China. Henceforth, we predict global trade activities in 2Q18 to remain on an upbeat momentum albeit at a moderating pace, in tandem with easing global manufacturing PMI. In addition, protectionism threat remains as global downside risks.

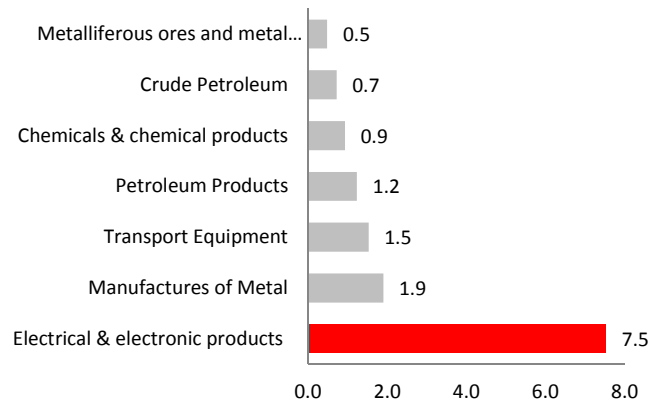
**We forecast exports growth to average 9.3% in 2018.** Underpinned by optimistic signs of key global indicators, and gradual recovery in commodities prices, we foresee Malaysia's exports will expand by 9.3% this year. The moderating pace is mainly due to unfavourable base effect and in tandem with the expectation of slight slowdown in overall business performance. Nevertheless, protectionist threat as well as escalating geopolitical tension could be a headwind to global trade including Malaysia. 

**Chart 1: % Contribution to Exports Growth by Destination**



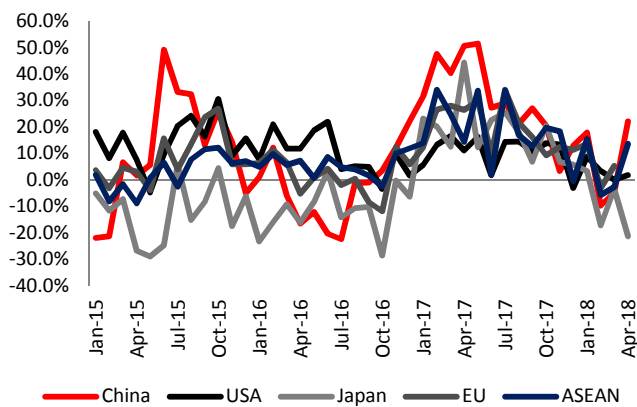
Source: CEIC; MIDFR

**Chart 2: % Contribution to Exports Growth by Products**



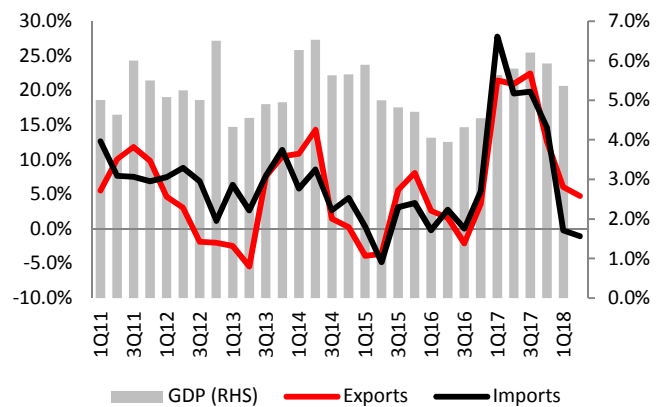
Source: CEIC; MIDFR

**Chart 3: Exports Growth (YoY%) by Major Destination**



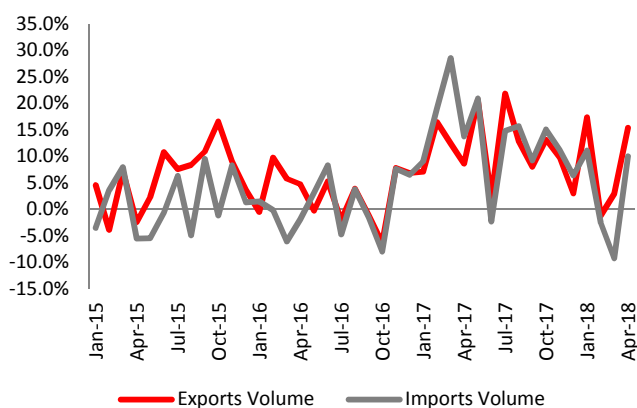
Source: CEIC; MIDFR

**Chart 4: External Trade vs GDP, (YoY%)**



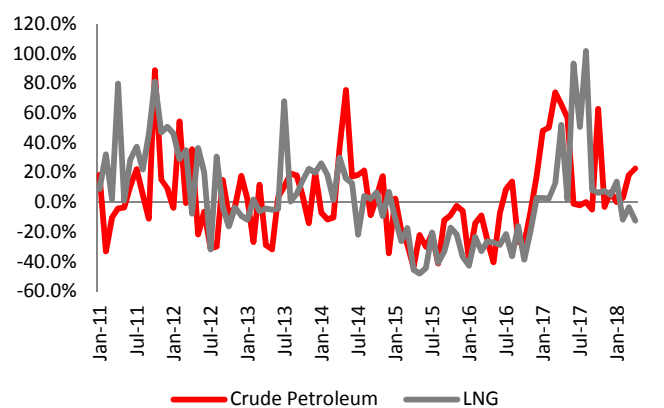
Source: CEIC; MIDFR

**Chart 5: Exports vs Imports Volumes (YoY%)**



Source: CEIC; MIDFR

**Chart 6: Exports Growth (YoY%) by Commodity Product**



Source: CEIC; MIDFR

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