

## ECONOMIC REVIEW | April 2017 External Trade

### Sturdy Exports Growth Improves Trade Balance to RM8.75 Billion

- Trade balance improved to RM8.75 billion in surplus. Trade balance recorded the highest value in 2017, surpassing first quarter average of RM6.3 billion. This is due to steady growth in exports which expanded by 20.6%yoy in April whereas imports grew by 24.7%yoy. Continuing previous months' trend, imports grew relatively faster than exports with deceleration in momentum.
- Global economic indicators hint sustained upbeat trends. Business and consumer confidences in developed and emerging economies are indicating optimistic outlook for the coming months.
- Exports to grow 8.5% in 2017. Protectionism and geopolitical risks remain evident but receding. Major economies are undergoing gradual economic recovery. Hence, we opine that our external trade performance to perform significantly better in 2017.

**Trade balance improved to RM8.75 billion in surplus.** Trade balance recorded the highest value in 2017, surpassing first quarter average of RM6.3 billion. This is due to steady growth in exports which expanded by 20.6%yoy in April whereas imports grew by 24.7%yoy. Continuing previous months' trend, imports grew relatively faster than exports with deceleration in momentum. Imports slowed down by 14.7% while exports grew less 3.5% compared to March's. Despite the deceleration in month-on-month growth, April's trade figures still indicating the upbeat momentum of Malaysia's external sector.

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

	2016	Jan-17	Feb-17	Mac-17	Apr-17	Jan-Apr 2017
<b>Exports (RMb)</b>	<b>785.9</b>	<b>70.3</b>	<b>71.8</b>	<b>82.6</b>	<b>74.0</b>	<b>298.7</b>
% YoY	1.1	13.6	26.5	24.1	20.6	21.2
%MoM	-	(7.0)	2.1	15.1	(10.5)	-
<b>Imports (RMb)</b>	<b>698.7</b>	<b>65.5</b>	<b>63.1</b>	<b>77.2</b>	<b>65.2</b>	<b>271.0</b>
% YoY	1.9	16.1	27.7	39.4	24.7	26.9
%MoM	-	(2.0)	(3.8)	22.5	(15.6)	-
<b>Total Trade</b>	<b>1,484.6</b>	<b>135.8</b>	<b>134.8</b>	<b>159.9</b>	<b>139.2</b>	<b>569.7</b>
% YoY	1.5	14.8	27.1	31.1	22.5	23.8
%MoM	-	(4.6)	(0.7)	18.5	(12.9)	-
<b>Trade Balance (RMb)</b>	<b>87.3</b>	<b>4.74</b>	<b>8.73</b>	<b>5.40</b>	<b>8.75</b>	<b>27.6</b>
<b>Import Components</b>						
<b>Intermediate (RMb)</b>	<b>399.1</b>	<b>38.4</b>	<b>38.5</b>	<b>43.1</b>	<b>38.4</b>	<b>158.3</b>
% YoY	(0.1)	10.4	39.9	36.3	29.2	28.1
<b>Capital (RMb)</b>	<b>100.2</b>	<b>9.6</b>	<b>7.3</b>	<b>13.5</b>	<b>8.0</b>	<b>38.4</b>
% YoY	4.9	35.2	5.6	82.4	14.8	35.3
<b>Consumption (RMb)</b>	<b>67.0</b>	<b>5.7</b>	<b>4.6</b>	<b>6.1</b>	<b>5.7</b>	<b>22.1</b>
% YoY	7.4	(1.6)	(0.6)	14.0	1.0	3.2

Note: MoM is non-seasonally adjusted figure

Source: DOSM; MIDFR

**Imports expanded at slower rate.** Imports of intermediate and capital goods rose by 29.2%yoy and 14.8%yoy respectively in April. Intermediate and capital goods imports maintain growing at double digit growth in which displaying a similar trend with the result shown in Malaysia's Nikkei Manufacturing PMI score in April. The manufacturing PMI score hits the highest point ever during the month at 50.7, indicating optimism among Malaysia's manufacturers. Hence, the sturdy growth in imports may translate into higher industrial production in months to come. As for consumption goods, it rose modestly by 1%yoy amid weakening of Ringgit.

**Exports to major destinations increased by double-digits.** By selected destinations, China and Japan contributed 5.6% and 3.2% respectively to total exports growth of 20.6%yoy registered in April. Regionally, ASEAN and EU contributed 4.5% and 2.6% respectively to total export growth in April. Exports to major destinations have rebounded since second half of 2016 indicating favourable outlook for external sector.

**Exports growth to China highest in 7 years.** Exports to China increased by 50.6%yoy in April. The last time exports to China grew more than 50%yoy was in March 2010. The recent surged in the exports was mainly driven by electrical & electronics products, petroleum products and chemicals & chemical products which grew by 28%yoy, 200.1%yoy and 14.9%yoy respectively during the month. Similarly, exports to Japan rose by 44.7%yoy, the highest since May 2010. Exports of electronic & electronics and LNG combined, constitute about 61.4% of Malaysia total exports to Japan. In April, both products registered an exports growth of 32.9%yoy and 86.4%yoy respectively. Notably, LNG exports to Japan have shown positive improvement compared to a year ago.

**Exports to Hong Kong and Taiwan shrank by 4%yoy and 13.8%yoy respectively in April.** Exports of electronic & electronics which made up 76.3% of the total exports to Hong Kong rose moderately by 4.7%yoy during the month. Plunged in exports of chemicals & chemical products by 72.8%yoy explained the slowdown of exports to Hong Kong. As for Taiwan, contraction in transistor & valves exports by 32.9%yoy drove down Malaysia's total exports to the country in April.

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

	2016	Jan-17	Feb-17	Mac-17	Apr-17	Jan-Apr 2017
<b>Total Exports (RMb)</b>	<b>785.9</b>	<b>70.3</b>	<b>71.8</b>	<b>82.6</b>	<b>74.0</b>	<b>298.7</b>
<b>Exports by Key Country / Region</b>						
China	(2.9)	31.6	47.6	40.3	50.6	42.5
USA	8.9	5.6	13.2	16.5	11.0	11.6
Japan	(12.9)	23.1	19.9	12.0	44.7	23.5
India	1.1	(2.8)	32.2	15.2	23.6	16.1
Hong Kong	2.1	4.9	7.2	16.6	(4.0)	6.4
Australia	(4.8)	43.5	(3.0)	14.4	7.4	15.6
EU	1.2	12.1	11.2	28.1	14.9	21.6
ASEAN	5.4	13.9	36.1	24.8	26.5	23.2
<b>Selected ASEAN</b>						
Singapore	5.6	18.8	25.9	25.9	15.8	21.4
Thailand	(0.6)	1.9	26.4	16.6	22.1	16.7
Indonesia	(5.0)	-2.1	74.7	32.5	13.0	27.3
Vietnam	36.7	44.1	54.2	36.3	(4.6)	30.2
Philippines	3.6	21.1	24.7	25.5	30.7	21.8

Source: DOSM; MIDFR

**Manufactured goods remain exports driver.** Of 20.6%yoy growth in total exports, 7.8% came from electrical & electronics products followed by chemicals & chemical products, iron & steel products and other manufactured products. Agriculture and mining goods, exports of LNG, crude petroleum and palm oil collectively contributed 4.5% to total exports growth in April. The trend is consistent compared to previous months with agriculture and mining sectors benefitting from current firmer commodities prices.


**Firmer global commodities prices a boon for commodities-based sectors.** Global crude oil prices rebounded to above USD45 per barrel since second half of 2016. Brent price increased by 7.5%yoy to USD51.7 per barrel in April compared to a year ago. Crude palm oil prices increased by 4.7%yoy from RM2,572 to RM2,694 in April 2017. The increase in the global commodities prices has contributed towards improvement in Malaysia's external trade performance especially in the commodity-based sector. Exports of crude petroleum and palm oil increased by 65.7%yoy and 20.8%yoy respectively. Rebound in oil prices combined with improving global demand have resulted in higher exports growth in petroleum products and chemicals & chemical products as well as LNG. Moving forward, we believe the output limit measures which extended until March 2018 between OPEC and non-OPEC countries will have positive impacts on oil prices. Hence, exports of commodities-based products may benefit via higher average unit value and volume in the next 9 months.

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

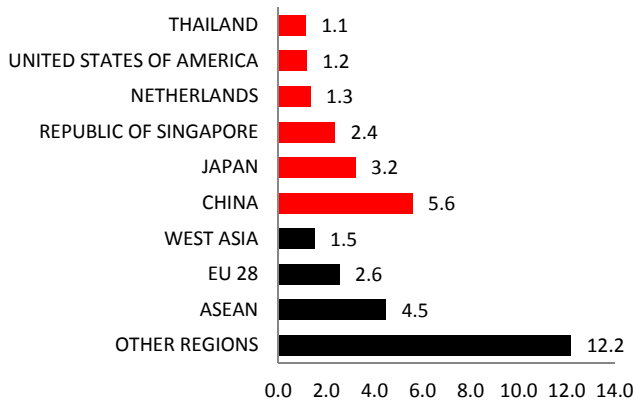
	2016	Jan-17	Feb-17	Mac-17	Apr-17	Jan-Apr 2017
E&E	3.5	11.4	22.4	21.2	22.2	19.3
Chemicals & Chemical Products	7.0	15.2	37.5	20.6	18.0	22.6
Petroleum Products	(0.1)	81.7	50.9	52.8	5.4	43.2
Machinery, Equipment & Parts	4.2	(7.6)	12.9	8.4	(1.2)	2.2
Palm Oil	5.9	21.7	63.5	22.9	20.8	30.9
LNG	(28.2)	2.8	2.1	11.5	50.2	13.7
Crude Petroleum	(14.6)	48.1	50.4	74.1	65.7	59.7

Source: DOSM; MIDFR

**Global economic indicators hint sustained upbeat trends.** Business and consumer confidences in developed and emerging economies are indicating optimistic outlook for the coming months. China's manufacturing and non-manufacturing PMI for instance have indicated an expansion for both PMI figures in May. Moreover, University of Michigan's consumer sentiment for the US recorded at 97.1 in May, the highest in four months. Based on the current trends, we believe robust global demand will maintain and support Malaysia's trade performances in the near term. Regionally, Vietnam's exports in May remain expanding at double digit growth of 19.9%yoy. Domestically we foresee Malaysia's external trade to continue recording double digit growth in May given sustained favourable external environment.

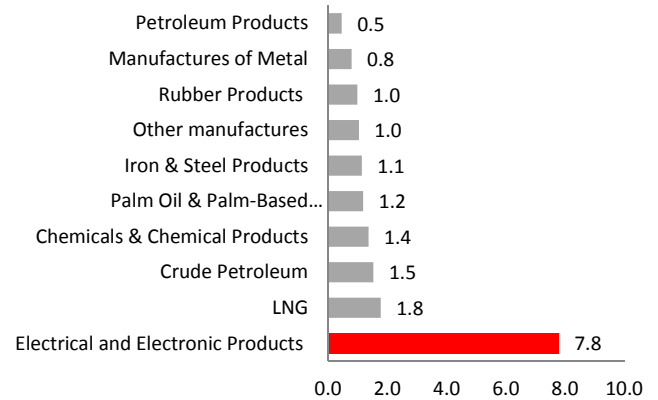
**Exports to grow 8.5% in 2017.** Protectionism and geopolitical risks remain evident but receding. Major economies are undergoing gradual economic recovery. Improvement in commodities prices will provide better prospect for Malaysia's exports in 2017 especially for commodities-based sectors. Hence, we opine that our external trade performance to perform significantly better in 2017. We are maintaining our export growth forecast of 8.5% in 2017 with high probability of upward revision. 

**Chart 1: % Contribution to Exports Growth by Country and Region**



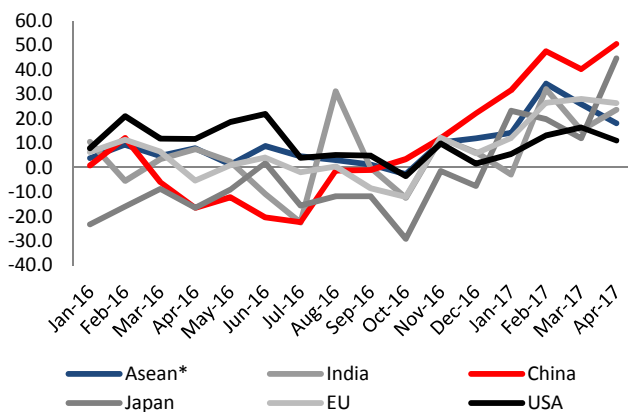
Source: DOSM; MIDFR

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



Source: DOSM; MIDFR

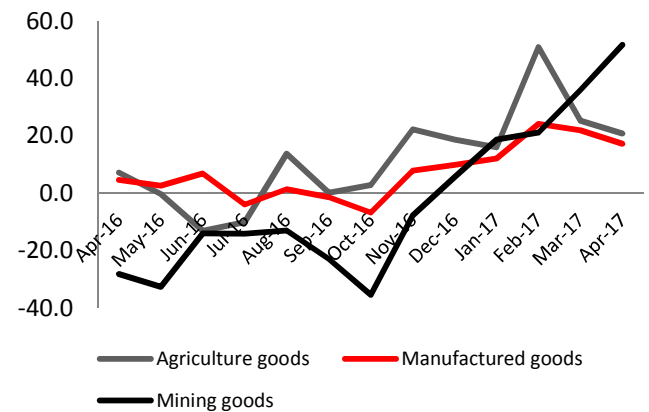
**Chart 3: Exports Growth (%) by Selected Major Destinations**



Source: DOSM; MIDFR

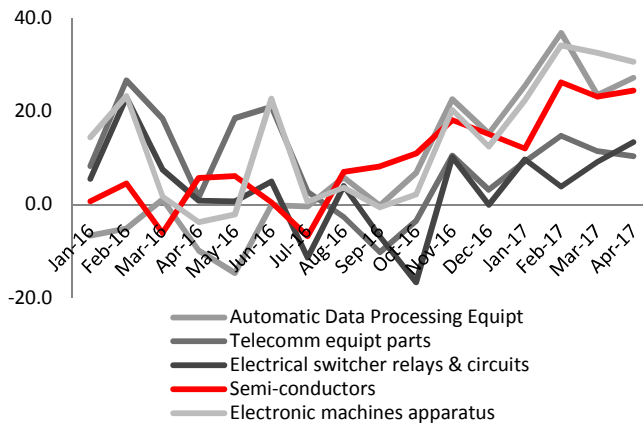
\*Referring to Indonesia, Singapore, Philippines, Thailand & Vietnam

**Chart 4: Exports Growth (%) by Major Sectors**



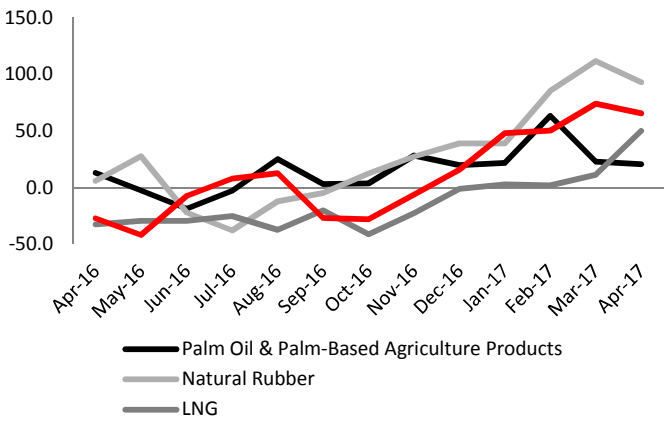
Source: DOSM; MIDFR

**Chart 5: Exports Growth (%) by Selected E&E Products**



Source: DOSM; MIDFR

**Chart 6: Exports Growth (%) by Commodities Products**



Source: DOSM; MIDFR

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