

ECONOMIC REVIEW | December 2016 External Trade

External Trade Momentum to Persist for 2017

- Malaysia's exports number again showed an outstanding performance with 10.7%yoy growth in December, highest for the last 14 months. Additionally, for the first time our exports break through the RM75 billion benchmark, with approximately RM75.6 billion worth of exports and RM142.4 billion worth of total trades conducted in December 2016.
- With a growth of as high as 22.2%yoy, China remains the main reason on why the global trade activity has been rebounding – something that we have been expecting to see since the beginning of last year. On the other hand, the slowdown in exports to US is worrying, and it becomes more so as there is a possibility of a protectionist action under the new president in the future.
- Due to the various upside potentials rather than the downside risks, we are maintaining our exports forecast for year 2017 at 3.0%yoy. The rebound in global trade activity led by China should ramp up our own domestic production and economic activity. However, the uncertainties coming from future US economic policy remains. Despite that, since Malaysia economy is no longer dependent on trade with any one country, there should only be cushioned impact towards Malaysia's exports performance if US conducted its own trade protectionism policy.

Exports continue its upward momentum. Malaysia's exports number again showed an outstanding performance with 10.7%yoy growth in December, highest for the last 14 months. Additionally, for the first time our exports break through the RM75 billion benchmark, with approximately RM75.6 billion worth of exports and RM142.4 billion worth of total trades conducted in December 2016. For the whole of 2016, our exports grew by a marginal 1.1%yoy. However, the rebounding trend of our exports particularly in the last two months of the year becomes a good kick-off for the year 2017 – in which we are expecting the economy will benefit from a better trade performance.

Table 1: Malaysia's External Trade Summary

	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16	2016
Exports (RMb)	67.6	68.0	69.2	72.8	75.6	785.9
% YoY	1.5	(3.0)	(8.6)	7.8	10.7	1.1
%MoM	12.9	0.7	1.7	5.2	3.7	-
Imports (RMb)	59.1	60.5	59.4	63.8	66.8	698.7
% YoY	4.9	(0.1)	(6.6)	11.2	11.5	1.9
%MoM	1.9	2.4	(1.7)	7.3	4.8	-
Total Trade	126.7	130.7	128.6	136.6	142.4	1,484.6
% YoY	3.0	(1.6)	(7.7)	9.3	11.1	1.5
%MoM	7.5	1.5	0.1	6.2	4.2	-
Trade Balance (RMb)	8.5	7.6	9.8	9.0	8.7	87.3
Import Components						
Intermediate (RMb)	34.5	34.8	33.7	35.5	35.1	399.1
% YoY	6.1	6.2	(8.9)	11.3	9.8	(0.1)
Capital (RMb)	8.3	8.4	8.9	9.2	8.0	100.2
% YoY	9.0	(5.6)	(2.0)	13.1	11.8	4.9
Consumption (RMb)	5.3	5.4	5.4	6.1	6.3	67.0
% YoY	10.4	(4.8)	(8.0)	5.4	2.6	7.4

Source: Department of Statistics, Malaysia; MIDF Research

Imports surged by 11.5%yoy in December, with imports of capital taking the lead. Imports increased by 11.5%yoy in December which leads to 1.9%yoy growths for the whole of 2016. Once again, looking at the November and December numbers, the future of trade looks optimistic. Imports of intermediate and capital goods rose by 9.8%yoy and 11.8%yoy respectively. Looking forward, this should lead to higher domestic investment, manufacturing and exports activity.

China is still leading the rebound in global trade activity. With a growth of as high as 22.2%yoy, China remains the main reason on why the global trade activity has been rebounding – something that we have been expecting to see since the beginning of last year. On the other hand, the slowdown in exports to US is worrying, and it becomes more so as there is a possibility of a protectionist action under the new president in the future. Despite that, we expect that US will focus more on imports substitution effort rather than a direct intervention on their own trade activity. That being said, the various dynamics involving decisions by the major economies will continue to have an impact towards Malaysia's trade performance.

Table 2: Malaysia's Exports (%YoY)


	2015	Sep-16	Oct-16	Nov-16	Dec-16	2016
Total Exports (RMb)	780.0	68.0	69.2	72.8	10.7	1.1
Exports by Key Country / Region						
China	10.0	(1.0)	(7.5)	12.0	22.2	(2.9)
USA	14.4	5.0	(3.5)	9.9	1.7	8.9
Japan	(10.7)	(11.7)	(29.1)	(1.4)	(7.5)	(12.9)
India	(0.7)	0.0	(12.3)	12.0	6.3	1.1
Hong Kong	(0.5)	(2.8)	14.5	10.9	6.4	2.1
Australia	(14.8)	1.9	(39.6)	2.1	27.0	(4.8)
EU	8.4	(8.4)	(12.0)	12.3	5.8	1.2
ASEAN	2.8	1.4	(2.6)	9.8	11.6	5.4
Selected ASEAN						
Singapore	(0.2)	6.3	(7.5)	14.9	13.5	5.6
Thailand	10.5	(2.6)	(8.9)	(0.6)	9.4	(0.6)
Indonesia	(8.4)	(17.3)	5.4	(1.1)	3.3	(5.0)
Vietnam	21.3	27.0	24.4	44.1	28.0	36.7
Philippines	9.4	(17.1)	8.7	(10.4)	4.5	3.6

Source: Department of Statistics, Malaysia; MIDF Research

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

	2015	Sep-16	Oct-16	Nov-16	Dec-16	YTD
E&E	8.5	0.3	1.2	13.2	9.0	3.5
Chemicals & Chemical Products	7.2	4.2	(4.7)	15.2	19.7	7.0
Petroleum Products	(22.5)	5.5	(7.4)	(12.5)	58.6	(0.1)
Machinery, Equipment & Parts	20.5	(10.3)	(19.8)	8.7	(10.9)	4.2
Palm Oil	(5.5)	3.2	3.7	28.4	19.8	5.9
LNG	(26.2)	(20.0)	(40.2)	(21.3)	(0.5)	(28.2)
Crude Petroleum	(20.3)	(26.8)	(27.9)	(6.1)	15.9	(14.6)

Source: Department of Statistics, Malaysia; MIDF Research

We are maintaining our exports forecast of 3.0% growth for year 2017. Due to the various upside potentials rather than the downside risks, we are maintaining our exports forecast for year 2017 at 3.0%yoy. The rebound in global trade activity led by China should ramp up our own domestic production and economic activity. However, the uncertainties coming from future US economic policy remains. Despite that, since Malaysia economy is no longer dependent on trade with any one country, there should only be cushioned impact towards Malaysia's exports performance if US conducted its own trade protectionism policy. 

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