

ECONOMIC REVIEW | January 2018 External Trade

58% Surge in Semiconductor Sales Pushed Up Exports to 17.9% in Jan-18

- Exports hit a double digit growth to highest ever January value. Malaysia's exports expanded by 17.9%yoy to RM82.9 billion in January, making a comeback after fell to a single digit growth in the preceding month.
- Exports to India recovered. Malaysia's exports to India rebounded by a double digit growth of 19.1% in January from four consecutive months of negative growth.
- We forecast exports growth to average 9.3% in 2018. Underpinned by continuous buoyant momentum in global trade activities, further recovery in commodities prices and receding protectionism threat.

Exports hit a double digit growth to highest ever January value. Malaysia's exports expanded by 17.9%yoy to RM82.9 billion in January, making a comeback after fell to a single digit growth in the preceding month. It was the highest January's reading ever recorded, exceeding RM73.15 billion registered in January 2017. Similarly, imports increased by 11.6%yoy during the same month, resulting in a trade surplus of RM9.7 billion. Acceleration in exports was mainly due to growth in major sectors including manufactured goods (20.4%yoy), mining goods (8.5%yoy) and agriculture goods (6.2%yoy). Similar to 2017, we foresee upbeat momentum in global trade activities will continue and buoyed by gradual rise in commodity prices as well as receding of protectionism threat. Henceforward, we are optimistic that Malaysia's external trade performance will continue expanding at steady pace in 2018.

Table 1: Malaysia's External Trade Summary

	2017	Sep-17	Oct-17	Nov-17	Dec-17	Jan-18
Exports (RMb)	935.4	78.3	82.4	83.5	79.3	82.9
% YoY	18.9	14.8	18.9	14.4	4.7	17.9
% MoM	-	(4.9)	5.3	1.5	(5.0)	4.4
Imports (RMb)	838.1	69.7	71.9	73.6	72.1	73.2
% YoY	19.9	15.2	20.9	15.2	7.9	11.6
% MoM	-	(3.7)	3.2	2.4	(2.0)	1.5
Total Trade	1773.5	147.9	154.3	157.1	151.4	156.0
% YoY	19.4	15.0	19.8	14.8	6.2	14.9
% MoM	-	(4.3)	4.3	1.9	(3.6)	3.0
Trade Balance (RMb)	97.2	8.60	10.6	9.9	7.3	9.7
Import Components						
Intermediate (RMb)	478.8	39.5	38.9	40.4	38.3	37.7
% YoY	20.0	13.5	14.8	13.8	(0.7)	(1.7)
Capital (RMb)	115.7	9.3	9.2	10.3	12.1	9.3
% YoY	15.4	10.8	5.1	12.2	35.2	(3.1)
Consumption (RMb)	71.0	5.7	5.9	6.6	6.2	6.3
% YoY	6.1	5.7	11.1	6.6	(2.6)	9.8

Note: MoM is non-seasonally adjusted figure

Source: CEIC, MIDFR

Consumption goods drove imports growth. Imports of consumption goods rebounded by 9.8%yoy in January from -2.6%yoy recorded in the previous month following higher imports of processed food and beverages mostly pastry products for Lunar New Year celebrations. On a flip side, capital goods decreased by 3.1%yoy in the same month due to lesser imports of transport equipment mainly ships, boats and floating structures which might indicate slower business performance of transportation sector in the nearest future. Similarly, intermediate goods declined by 1.7%yoy as a result of lower imports of parts and accessories of capital goods suggesting that most of the country's industrial demands for intermediate goods were fulfilled by domestic suppliers. Moving ahead, we foresee Malaysia's economy to stay on upward trajectory in 2018 amid of rising goods imports and sanguine business confidence.

Exports to India recovered. Malaysia's exports to India rebounded by a double digit growth of 19.1% in January from four consecutive months of negative growth. However, this robust performance is likely to be affected in upcoming months as India raised import tax for the fourth time in less than six months. India lifted the tax on crude palm oil to 44% from 30% and refined palm oil to 54% from 40%, highest in a decade. By region, exports to ASEAN expanded by 15.6% to RM24.19 billion with Vietnam recorded the highest growth at 64.5%yoy while exports to EU were maintained at a double digit growth in January. The increase was mainly driven by exports of E&E products, petroleum products, chemicals products and palm oil products among others. On top of that, exports to Hong Kong escalated by more than 100%yoy growth in the same month. We believe various trade initiatives such as China's One Belt One Road and Trans-Pacific Partnership (TPP) will further improvise global cooperation and market integration which eventually adding supports on global trade activities.

Table 2: Malaysia's Exports (YoY%)

	2017	Sep-17	Oct-17	Nov-17	Dec-17	Jan-18
Total Exports (RMb)	935.4	78.3	82.4	83.5	79.3	82.9
Exports by Key Country / Region						
China	28.0	27.1	20.5	3.3	12.8	17.9
USA	10.5	10.7	13.8	13.4	(3.1)	8.7
Japan	17.5	6.9	20.4	6.7	5.8	3.3
India	8.0	(7.0)	(5.7)	(4.1)	(6.1)	19.1
Hong Kong	26.8	41.0	54.9	56.4	43.2	129.9
Australia	20.8	14.2	26.0	22.0	(9.6)	(19.6)
EU	19.4	16.2	19.5	12.4	11.4	13.6
ASEAN	18.0	12.7	9.3	18.3	(0.5)	15.6
Selected ASEAN						
Singapore	18.5	8.1	16.1	16.8	(3.3)	8.5
Thailand	14.6	7.0	30.2	18.2	(3.9)	16.8
Indonesia	24.5	42.9	21.9	34.8	(6.8)	25.7
Vietnam	16.1	16.3	12.9	5.0	27.4	64.5
Philippines	21.2	14.1	23.7	41.2	4.2	7.1

Source: CEIC, MIDFR

Exports growth was propelled by all major products. Thanks to robust global demand and improving commodity prices, exports of all key products including palm oil expanded in January. Exports of palm oil and palm oil-based agriculture products grew by 9.4%yoy from a negative growth of 8.6%yoy in the prior month following the implementation of duty-free exports of crude palm oil for three months starting on the second week of January in order to clear stocks in the country. Likewise, E&E products surged by 27.1%yoy from 6.2%yoy registered in the preceding month buoyed by positive global semiconductor demand. Hence, we opine 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%)

	2017	Sep-17	Oct-17	Nov-17	Dec-17	Jan-18
E&E	19.2	17.7	16.9	21.0	6.2	27.1
Machinery, Equipment & Parts	7.2	7.3	14.3	8.5	4.8	11.5
Optical & Scientific Equipment	12.8	14.5	20.3	15.2	5.5	18.0
Petroleum Products	31.7	13.2	13.4	20.4	6.2	0.5
Crude Petroleum	25.3	(4.9)	62.9	(3.1)	6.9	0.1
LNG	23.7	8.2	6.3	7.5	4.8	14.0
Palm Oil	11.5	(1.7)	7.9	(5.2)	(8.6)	9.4

Source: CEIC, MIDFR

Optimistic outlook for 1Q18. Looking at our regional partners, South Korea and Vietnam registered slower exports growth of 4%yoy and 2.5%yoy respectively in February. Based on manufacturing condition and activity, global manufacturing PMI figures still indicate expansionary trend as it hit 54.2 points in February. For instance, manufacturing PMI of China registered at 51.6 points, the strongest in 6 months while US, Japan and Philippines still maintain above expansionary-line, 55.3 points, 54.1 points and 50.8 points respectively. Henceforth, we predict global trade activities in 1Q18 to remain on an upbeat momentum albeit at a moderating rate amid of unfavourable base effects.


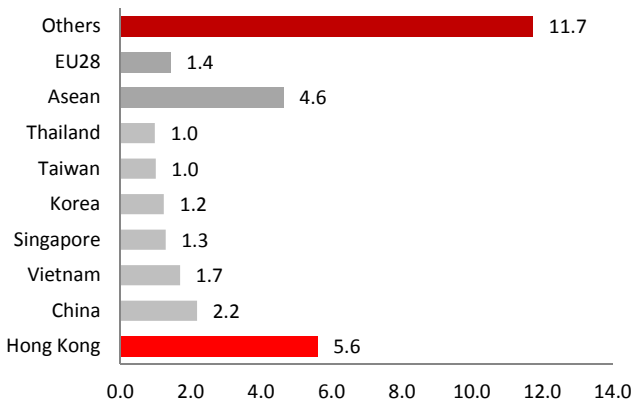
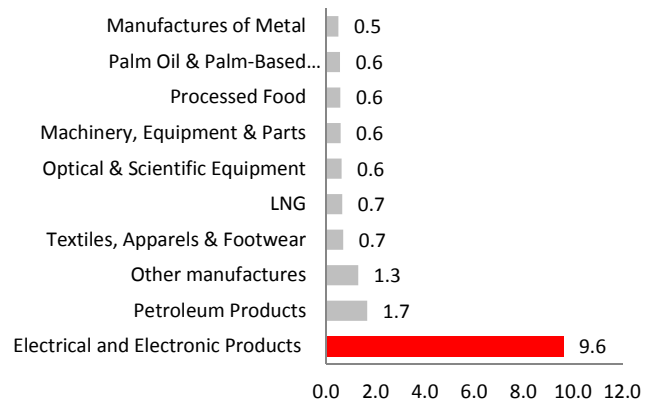
We forecast exports growth to average 9.3% in 2018. Underpinned by continuous buoyant momentum in global trade activities, further recovery in commodities prices and receding protectionism threat, we foresee Malaysia's exports will expand by 9.3% this year. The moderating pace is mainly due to unfavourable base effect and in tandem with the expectation of slight slowdown in overall business performance. Nevertheless, downside risks on global trade as well as Malaysia's external front remains especially on protectionist threat, geopolitical tension, and downward change in commodities prices as well as policy uncertainties in developed countries. 

Chart 1: % Contribution to Exports Growth by Destination



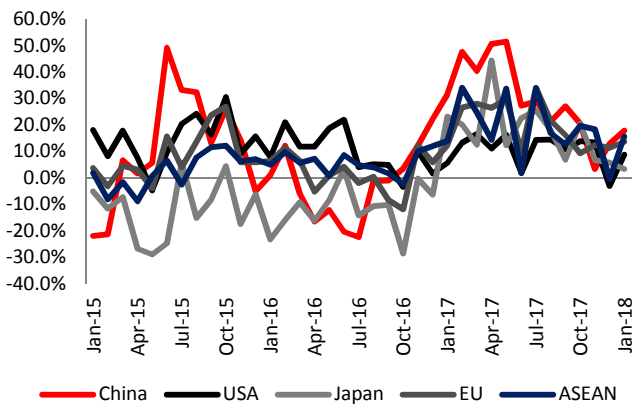
Source: CEIC; MIDFR

Chart 2: % Contribution to Exports Growth by Products



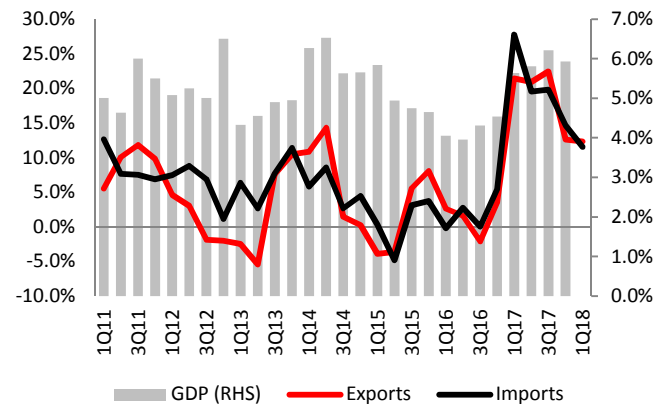
Source: CEIC; MIDFR

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



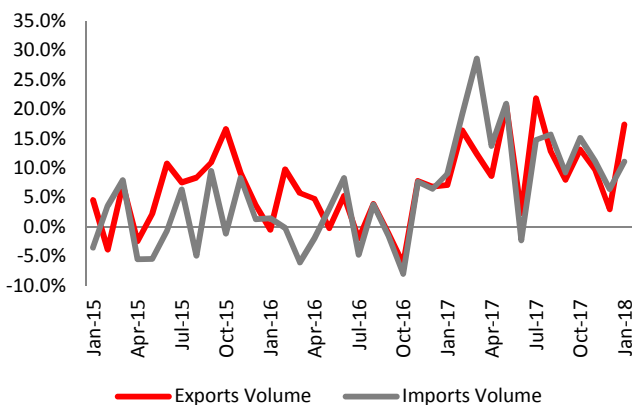
Source: CEIC; MIDFR

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



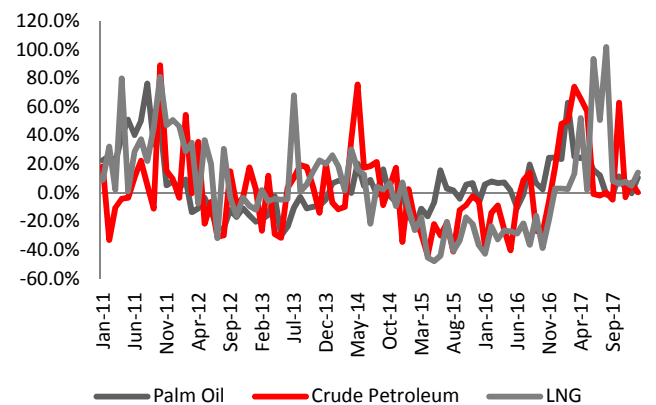
Source: CEIC; MIDFR

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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