

ECONOMIC REVIEW | March 2017 External Trade

Export Breached RM80 billion, Highest on Record

- Exports continued to expand by double-digit growth in March. For the first time, exports value reached the highest value ever recorded at RM82.6 billion. Exports grew by 24.1%yoy, slightly higher than our forecast for March 2017, 23.4%yoy. Since December 2016, exports have been registering double-digit growth on year-on-year basis.
- Exports growth to major destinations expanded by double-digit. By country, Singapore and China collectively contributed 8.3% to total exports growth of 24.1%yoy recorded in March. Regionally, Asean and EU contributed 2.8% and 7.2% of total export growth in March respectively. Exports to major destinations have rebounded since second half of 2016.
- We are maintaining our exports growth forecast at 8.5% for 2017. With looming protectionism threat and geopolitical risks remain as global challenges, major economies are experiencing gradual recovery in their domestic economy.

Exports continued to expand by double-digit growth in March. For the first time, exports value reached the highest value ever recorded at RM82.6 billion. Exports grew by 24.1%yoy, slightly higher than our forecast for March 2017, 23.4%yoy. Since December 2016, exports have been registering double-digit growth on year-on-year basis. On monthly seasonally adjusted basis, both exports and imports presented positive growth rate, 15.1% and 0.1% respectively. As imports grew faster than exports, trade balance shrank to RM5.4 billion.

Table 1: Malaysia's External Trade Summary

	2016	Dec-16	Jan-17	Feb-17	Mac-17	Jan-Mac 2017
Exports (RMb)	785.9	75.6	70.3	71.8	82.6	224.7
% YoY	1.1	10.7	13.6	26.5	24.1	21.4
%MoM	-	3.7	(7.0)	2.1	15.1	-
Imports (RMb)	698.7	66.8	65.5	63.1	77.2	205.5
% YoY	1.9	11.5	16.1	27.7	39.4	27.7
%MoM	-	4.8	(2.0)	(3.8)	22.5	-
Total Trade	1,484.6	142.4	135.8	134.8	159.9	430.5
% YoY	1.5	11.1	14.8	27.1	31.1	24.3
%MoM	-	4.2	(4.6)	(0.7)	18.5	-
Trade Balance (RMb)	87.3	8.7	4.7	8.7	5.4	18.9
Import Components						
Intermediate (RMb)	399.1	35.8	38.4	38.5	43.1	119.9
% YoY	(0.1)	9.8	10.4	39.9	36.3	27.8
Capital (RMb)	100.2	9.0	9.6	7.3	13.5	30.4
% YoY	4.9	11.8	35.2	5.6	82.4	42.0
Consumption (RMb)	67.0	6.4	5.7	4.6	6.1	16.4
% YoY	7.4	2.6	(1.6)	(0.6)	14.0	4.0

Note: MoM is non-seasonally adjusted figure

Source: DOSM; MIDFR

Imports surged further. Imports expanded by 39.4%yoy in March, mainly due to increase in capital and intermediate goods imports. Imports of transport equipment in particular ships, boats and floating structures for oil and gas activities drove the surge in imports for March. Moreover, expansion of both capital and intermediate goods indirectly hint for higher industrial production in the coming months. This is in line with the upward trend in Malaysia's Nikkei Manufacturing PMI performance which reflects optimistic business sentiment in the domestic economy. Plus, consumption goods rose by 14%yoy after two consecutive months of registering negative growth. The current level of Ringgit has not deterred imported goods consumption, which possibly indicates improving household spending during the month.

Exports growth to major destinations expanded by double-digit. By country, Singapore and China collectively contributed 8.3% to total exports growth of 24.1%yoy recorded in March. Regionally, Asean and EU contributed 2.8% and 7.2% of total export growth in March respectively. Exports to major destinations have rebounded since second half of 2016.

Exports to China increased by 40.3%yoy in March. This was mainly supported by the surged of exports of electrical & electronic and petroleum products as well as LNG which contributed more than 50% of the exports growth to China during the month. Amid Trump's protectionism threat, exports to US rose by 16.5%yoy, almost double the previous year's average of 8.9%. Products such as electrical & electronic and other manufactured goods were dominant in the exports to US in March. Looking ahead, Malaysia's exports to major destinations are predicted to maintain the solid performance in the upcoming months due to upbeat business environment in major economies. Business Climate Indicator for Euro Area reached 1.1 point in April, the highest in 5 years while Nikkei Manufacturing PMI performances for Japan and Taiwan are on ascending paths since middle of last year.

Exports to India rose by 15.2%yoy in March of which 14.4% are palm oil products. The exports of palm oil to India decline by 31.5%yoy during the month. This is possibly due to higher use of domestically produced vegetable oil and lingering effects of demonetisation of 500Rupee and 1,000Rupee banknotes which could affects consumption on palm oil products.

Table 2: Malaysia's Exports (%YoY)

	2016	Dec-16	Jan-17	Feb-17	Mac-17	Jan-Mac 2017
Total Exports (RMb)	785.9	75.6	70.3	71.8	82.6	224.7
Exports by Key Country / Region						
China	(2.9)	22.2	31.6	47.6	40.3	39.9
USA	8.9	1.7	5.6	13.2	16.5	11.9
Japan	(12.9)	(7.5)	23.1	19.9	12.0	18.1
India	1.1	6.3	(2.8)	32.2	15.2	13.8
Hong Kong	2.1	6.4	4.9	7.2	16.6	10.0
Australia	(4.8)	27.0	43.5	(3.0)	14.4	18.5
EU	1.2	5.8	12.1	11.2	28.1	22.2
ASEAN	5.4	11.6	13.9	36.1	24.8	23.9
Selected ASEAN						
Singapore	5.6	13.5	18.8	25.9	25.9	23.4
Thailand	(0.6)	9.4	1.9	26.4	16.6	15.1
Indonesia	(5.0)	3.3	-2.1	74.7	32.5	32.6
Vietnam	36.7	28.0	44.1	54.2	36.3	46.2
Philippines	3.6	4.5	21.1	24.7	25.5	19.0

Source: DOSM; MIDFR

Thanks to firmer global commodities prices. Global crude oil prices rebounded to above USD45 per barrel since second half of 2016. Brent oil price increase by 40.5%yoy to USD53.4 in March as compared to the same month of previous year. The increase in the global commodities prices has contributed towards improvement in Malaysia's external trade performance especially in the commodity-based exports products. Exports of crude petroleum and palm oil increase by 74.1%yoy and 22.9%yoy respectively in March. The continuous rebound in oil prices coupled with improving global demand have resulted in higher exports growth in petroleum products and chemicals & chemical products as well as LNG. In spite of this, the effort taken by OPEC and non-OPEC to rebalance the oil supply is interrupted by increase in US shale oil production. We opine the oil prices may not breach USD60 mark as long as the US is not included in the oil production limit agreement.

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

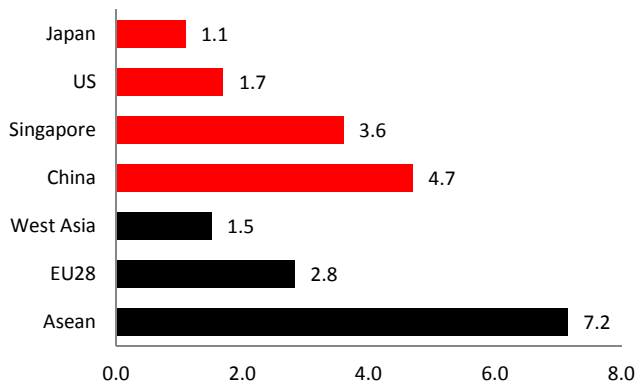
	2016	Dec-16	Jan-17	Feb-17	Mac-17	Jan-Mac 2017
E&E	3.5	9.0	11.4	22.4	21.2	18.4
Chemicals & Chemical Products	7.0	19.7	15.2	37.5	20.6	24.2
Petroleum Products	(0.1)	58.6	81.7	50.9	52.8	61.0
Machinery, Equipment & Parts	4.2	(10.9)	(7.6)	12.9	8.4	3.6
Palm Oil	5.9	19.8	21.7	63.5	22.9	34.4
LNG	(28.2)	(0.5)	2.8	2.1	11.5	5.4
Crude Petroleum	(14.6)	15.9	48.1	50.4	74.1	57.9

Source: DOSM; MIDFR

Global growth revised up to 3.5% this year. International Monetary Fund (IMF) in its latest world economic outlook report revised up global growth by 0.1% while maintaining its forecast on global trade volume at 3.8%. The upward revision is due to steady pick-up in global economic activity especially in the advanced economies. IMF projects US, Euro Area and China to grow by 2.3%, 1.7% and 6.6% respectively in 2017. Besides, IMF opines that gradual improvement in commodities prices will assist commodities-based economies as well as emerging economies to rebound and register better economic growth this year. According to official figures, GDP growth of China for the first quarter 2017 rose by 6.9%yoy, higher than its annual growth target of 6.5%. Other than China, GDP growth of Euro Area, South Korea, Taiwan and Singapore increased firmly by 1.7%yoy, 2.7%yoy, 2.6%yoy and 2.5%yoy respectively in the first quarter of this year. In April, Malaysia's Nikkei Manufacturing PMI rose to the highest level at 50.7 point. This is mainly supported by higher growth in new export orders. Therefore, we foresee the performance of Malaysia's external trade to record solid growth this year given sustained favourable external environment.

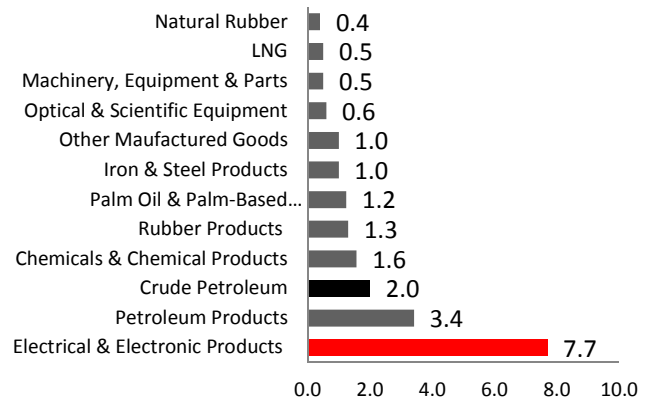
We are maintaining our exports growth forecast at 8.5% for 2017. With looming protectionism threat and geopolitical risks remain as global challenges, major economies are experiencing gradual recovery in their domestic economy. Modest improvement in commodities prices which is partly due to strengthening global demand will provide better prospect for Malaysia's exports in 2017 especially the commodities-based products. Hence, we opine that our external trade performance to perform better this year as compared to 2016 given key global economic indicators are reflecting positive signs. Stellar exports performance in the first quarter which seen an increase of 21.4% over the same period last year will likely to continue in the second quarter of the year. 

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



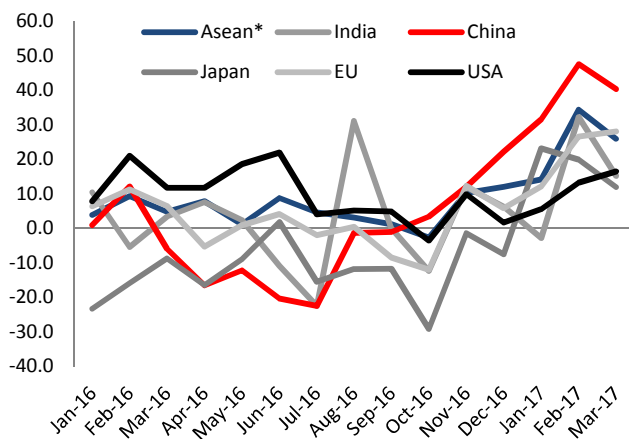
Source: DOSM; MIDFR

Chart 2: % Contribution to Exports Growth by Products



Source: DOSM; MIDFR

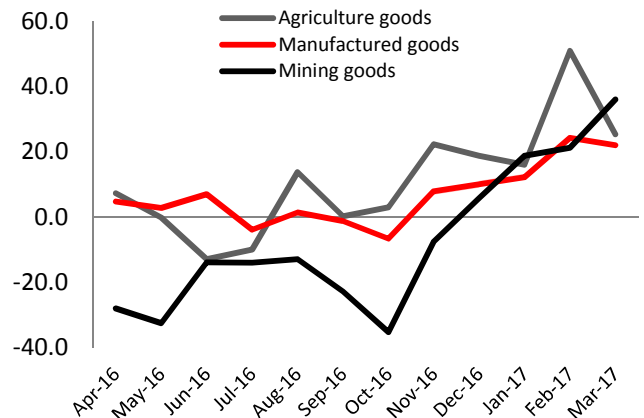
Chart 3: Exports Growth (%) by Major Destinations



Source: DOSM; MIDFR

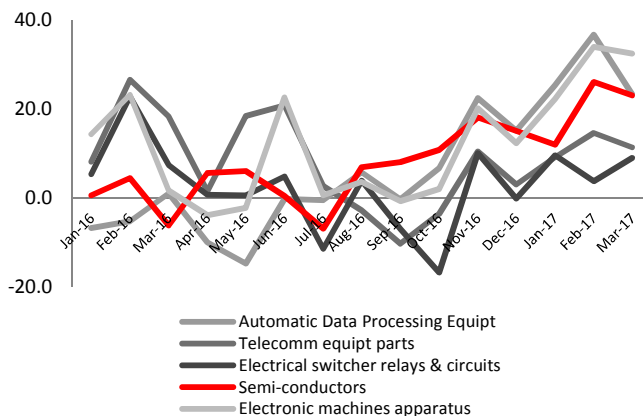
*Referring to Indonesia, Singapore, Philippines, Thailand & Vietnam

Chart 4: Exports Growth (%) by Major Sectors



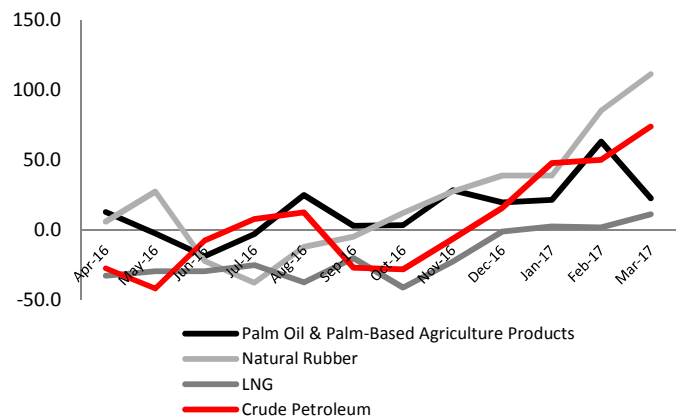
Source: DOSM; MIDFR

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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