

ECONOMIC REVIEW | November 2017 External Trade

Highest Ever Monthly Exports Value Registered in November at RM83.5 billion

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- Increase in capital imports hint further economic expansion. Capital imports grew strongly by 12.2%yoy, fastest in 4-months while intermediate imports expanded by double digit pace for 11-consecutive months.
- 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.

Exports value reaches new record high. Malaysia's outbound shipments reached a new record high at RM83.5 billion in November. It is the 12-consecutive months of double-digit expansion in exports since December 2016 as exports growth stood at 14.4%yoy during the month. Similarly, imports increase by 15.2%yoy while trade surplus remains at high level close to RM10 billion. Among others, strengthening demands in major economies and gradual rising in global commodity prices are key supporting factors for the robust trade performance in November 2017. Hence, we anticipate Malaysia's external trade performance to continue expanding for December, thus boosting economic growth for 4Q17.

Table 1: Malaysia's External Trade Summary

	2016	Aug-17	Sep-17	Oct-17	Nov-17	Jan-Nov 2017
Exports (RMb)	785.9	82.2	78.3	82.4	83.5	856.0
% YoY	1.1	21.5	14.8	18.9	14.4	20.4
% MoM	-	4.6	(4.9)	5.3	1.5	-
Imports (RMb)	698.7	72.4	69.7	71.9	73.6	766.1
% YoY	1.9	22.6	15.2	20.9	15.2	21.2
% MoM	-	2.5	(3.7)	3.2	2.4	-
Total Trade	1,484.6	154.6	147.9	154.3	157.1	1,622.1
% YoY	1.5	22.0	15.0	19.8	14.8	20.8
% MoM	-	3.6	(4.3)	4.3	1.9	-
Trade Balance (RMb)	87.3	10.0	8.60	10.6	9.9	90.0
Import Components						
Intermediate (RMb)	399.1	43.2	39.5	38.9	40.4	440.6
% YoY	(0.1)	25.3	13.5	14.8	13.8	22.2
Capital (RMb)	100.2	9.1	9.3	9.2	10.3	103.5
% YoY	4.9	11.6	10.8	5.1	12.2	13.5
Consumption (RMb)	67.0	6.2	5.7	5.9	6.6	64.8
% YoY	7.4	17.9	5.7	11.1	6.6	7.0

Note: MoM is non-seasonally adjusted figure

Source: DOSM, MIDFR

Increase in capital imports hint further economic expansion. Capital imports grew strongly by 12.2%yoy, fastest in 4-months while intermediate imports expanded by double digit pace for 11-consecutive months. The robust expansion in capital and intermediate imports is in tandem with Malaysia's 43-months high of manufacturing PMI 52 points in November. Henceforth, we foresee Malaysia's economy to stay on upbeat momentum amid of rising industrial goods imports and optimistic business confidence. On a flip side, imports of consumption goods rose steadily by 6.6%yoy.

Exports volume increase by 9.7%yoy in November. Exports of transactions & commodities increased sharply to 22.2%yoy in November from just 0.1%yoy in a month before. Growth in exports volume was also driven by double-digit expansions in machinery & transport equipment and manufactured goods by 21.8%yoy and 15.1%yoy respectively. Exports volume of food and beverages & tobacco improved however remains negative to -5.9%yoy and -11.2% respectively. On the other hand, imports volume grew at 11.2%yoy during the month. Major contributor to imports volume is transaction & commodities followed by machinery & transport equipment at 22.9%yoy and 17.9%yoy respectively.

Unfavorable base effect to pressure growth momentum. Exports to China decelerated to 3.3%yoy, the slowest in 14-months amid of high base effect. Among others, slight slowdown in China's consumer confidence from 123.9 points in October to 121.3 points in November is possibly explaining the moderating demand from China. In spite of this, we opine growth momentum in the world's second largest economy will stay on steady pace above 6.5% in 2018 amid of receding protectionism threat and gradual recovery in commodity prices. Across the globe, exports to the US, EU and Japan grew steadily by 13.4%yoy, 12.4%yoy and 6.7%yoy respectively in November. In addition, we view the tax cut in the US will give extra boost on its domestic spending and thus indirectly affecting global demand to stay upward in the short term.

Table 2: Malaysia's Exports (YoY%)

	2016	Aug-17	Sep-17	Oct-17	Nov-17	Jan-Nov 2017
Total Exports (RMb)	785.9	82.2	78.3	82.4	83.5	856.0
Exports by Key Country / Region						
China	(2.9)	21.2	27.1	20.5	3.3	29.7
USA	8.9	14.5	10.7	13.8	13.4	11.9
Japan	(12.9)	18.0	6.9	20.4	6.7	18.7
India	1.1	4.9	(7.0)	(5.7)	(4.1)	9.3
Hong Kong	2.1	22.2	41.0	54.9	56.4	25.0
Australia	(4.8)	37.1	14.2	26.0	22.0	24.3
EU	1.2	21.6	16.2	19.5	12.4	20.2
ASEAN	5.4	16.4	12.7	9.3	18.3	19.9
Selected ASEAN						
Singapore	5.6	20.5	8.1	16.1	16.8	20.8
Thailand	(0.6)	7.4	7.0	30.2	18.2	16.5
Indonesia	(5.0)	18.4	42.9	21.9	34.8	27.8
Vietnam	36.7	15.8	16.3	12.9	5.0	15.0
Philippines	3.6	17.7	14.1	23.7	41.2	22.9

Source: DOSM, MIDFR

Weakening price and import duty drag down palm oil exports. Crude palm oil price is seen dropping since October 2017 and we notice this commodity price contracted by 19%yoy and 24.1%yoy respectively in November and December. Adding to that, Malaysia's largest palm oil exports destination, India increased its import duty to the highest in a decade in order to protect local farmers during the month. Import tax on crude palm oil and refined palm oil increase to 30% and 40% respectively (Previously, CPO: 15% & Refined Palm Oil: 25%). On the other hand, exports of manufactured goods namely E&E and petroleum products continue expanding at solid pace whereas mining exports remain at tepid speed due to uncertainties in the commodities prices. Moving forward, we foresee exports of mining goods will show better performance in 2018 as commodities prices have shown gradual and stable improvement trends.

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

	2016	Aug-17	Sep-17	Oct-17	Nov-17	Jan-Nov 2017
E&E	3.5	20.1	17.7	16.9	21.0	20.5
Machinery, Equipment & Parts	4.2	7.9	7.3	14.3	8.5	7.6
Optical & Scientific Equipment	11.0	28.7	14.5	20.3	15.2	13.5
Petroleum Products	(0.1)	35.5	13.2	13.4	20.4	34.7
Crude Petroleum	(14.6)	0.0	(4.9)	62.9	(3.1)	27.7
LNG	(28.2)	101.8	8.2	6.3	7.5	26.2
Palm Oil	5.9	(8.9)	(1.7)	7.9	(5.2)	13.4

Source: DOSM, MIDFR

Optimistic outlook for 4Q17. Looking at our regional partners, South Korea and Vietnam registered exports growth of 8.9%yoy and 16.6%yoy respectively in December. Based on manufacturing condition and activity, global and emerging manufacturing PMI figures still indicate expansionary trend as both hit 54.5 and 52.2 points. The positive environment is supported by developed and emerging economies. For instance, manufacturing PMI of EU recorded at highest-ever record of 60.6 points while China maintains above expansionary-line in December, 51.5 points. Henceforth, we predict global trade activities in 4Q17 to remain on an upbeat momentum albeit at a moderating rate amid of unfavourable base effects.


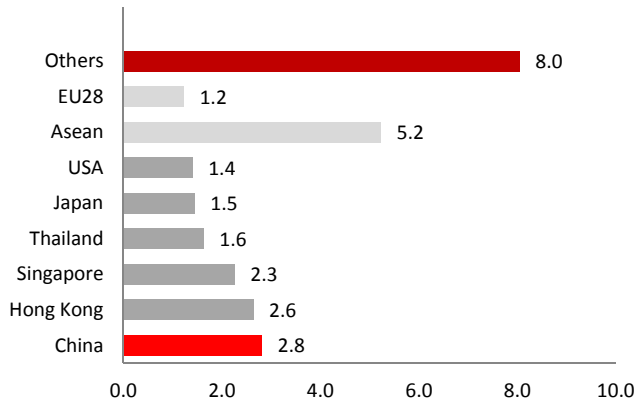
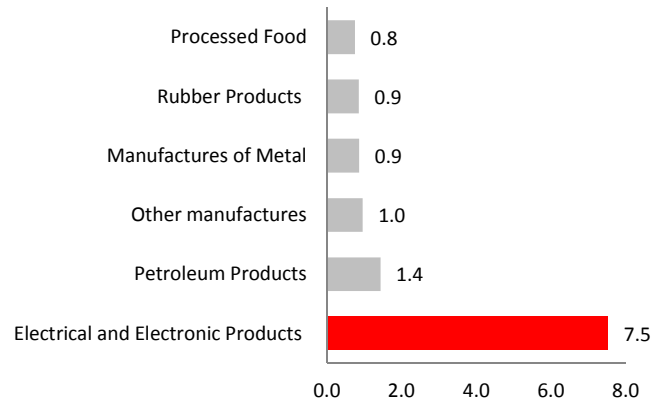
We forecast exports growth to average 9.3% in 2018. Underpinned by continuous buoyant momentum in global trade activities, further recovery in commodities prices and receding protectionism threat, we foresee Malaysia's exports will expand by 9.3% this year. The moderating pace is mainly due to unfavourable base effect. 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



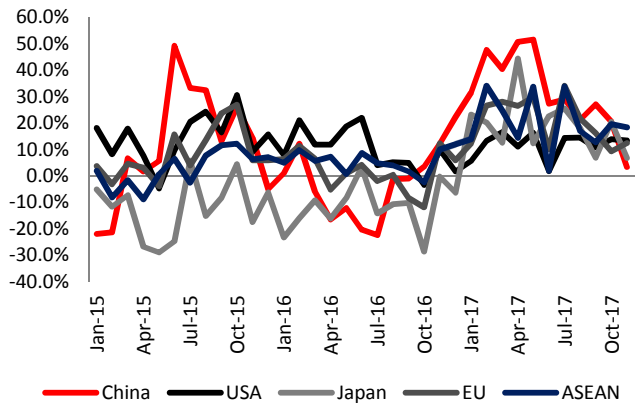
Source: DOSM; MIDFR

Chart 2: % Contribution to Exports Growth by Products



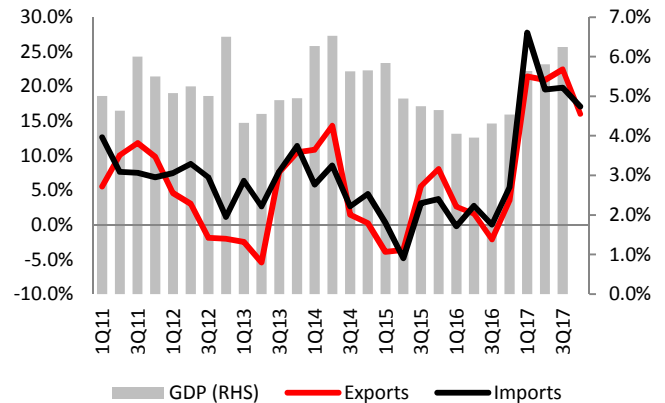
Source: DOSM; MIDFR

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



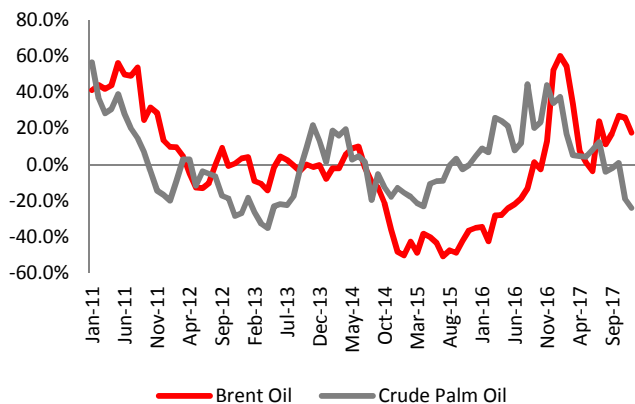
Source: DOSM; MIDFR

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



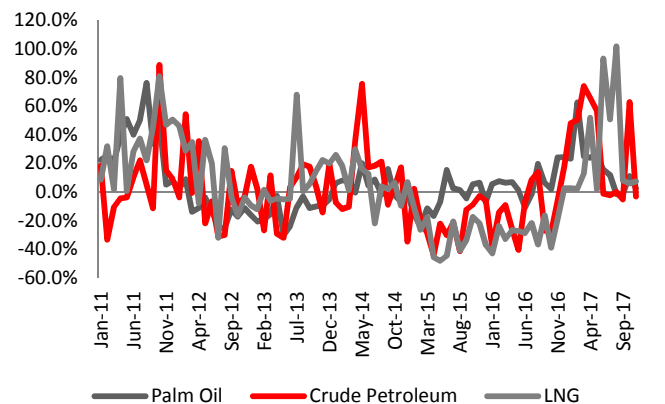
Source: DOSM; MIDFR

Chart 5: Commodities Prices (YoY%)



Source: DOSM; MIDFR

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



Source: DOSM; MIDFR

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