

## MALAYSIA

### February 2015 External Trade – Weak external demand continues to weigh down on Malaysia's exports

- Exports registered 2<sup>nd</sup> consecutive month of contraction due to continued weak export performance of commodity and commodity related or resource-based items. While imports increased marginally, Malaysia's trade balance remains positive at RM4.5b in February.
- Although exports to Singapore declined by 4.9%, they still remain our largest export market in February with a share of 14.7% of total exports. However, persistent weak demand from China for commodities continues to weigh down on export performances of countries in the region.
- As China's economic slowdown will result in a structural shift, ASEAN countries will need to strengthen their intra-trade linkages or source out new export markets to remain competitive.

**Exports registered 2<sup>nd</sup> consecutive month of contraction, but Malaysia's trade balance still positive.** February's exports decline 9.7%yoy (Jan 14: -0.6%yoy) while imports rebounded to 0.4%yoy from a 5.3%yoy contraction in January. Despite the increase in imports and lackluster export performance, Malaysia still commands a trade surplus of RM4.5b. On a month-on-month basis, exports contracted by 16.4% in February (Jan 15: -6.0%mom) whilst imports declined 11.0%mom (Jan 15: -6.6%mom).

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

	Aug-14	Sep-14	Oct-14	Nov-14	Dec-14	Jan-15	Feb-15
<b>Exports (RMb)</b>	63.9	64.5	65.1	63.7	67.7	63.6	53.2
% YoY	1.6	2.0	(3.2)	2.1	2.7	(0.6)	(9.7)
% MoM	4.5	1.0	0.8	(2.0)	6.2	(6.0)	(16.4)
<b>Imports (RMb)</b>	60	55.2	63.9	52.6	58.5	54.6	48.6
% YoY	7.6	1.1	9.1	0.1	4.2	(5.3)	0.4
% MoM	4.4	(8.0)	15.8	(17.7)	11.2	(6.6)	(11.0)
<b>Total Trade (RMb)</b>	123.9	119.7	129	116.3	126.2	118.2	101.8
% YoY	4.4	1.6	2.5	1.2	3.4	(2.8)	(5.2)
% MoM	4.5	(3.4)	7.7	(9.8)	8.5	(6.3)	(13.9)
<b>Trade Balance (RMb)</b>	3.9	9.3	1.1	11.1	9.2	9.0	4.5
<b>Import Components</b>							
<b>Consumption (RMb)</b>	4.2	4.0	4.3	4.0	4.6	4.4	3.9
% YoY	8.5	(1.0)	5.9	1.7	4.5	2.0	13.2
<b>Capital (RMb)</b>	8.6	6.9	7.7	8.0	9.6	8.1	6.9
% YoY	9.7	(19.4)	(1.7)	6.0	(2.7)	2.1	6.6
<b>Intermediate (RMb)</b>	37.6	35.0	41.1	31.4	33.6	33.1	29.3
% YoY	19.8	11.2	21.2	3.5	11.8	(3.0)	5.9

Source: Department of Statistics, Malaysia; MIDF Research

**Slump in commodity market continues to place a drag on Malaysia's exports.** Exports of Agricultural Goods declined 24.6%yoy due to the significant fall of Palm Oil exports by 28.3%yoy and Crude Natural Rubber by 46.4%yoy. Concurrently, exports of Mining Goods declined 15.6%yoy, attributed to the decline in exports of LNG (-13.8%yoy) and Crude Petroleum (-20.9%yoy). Exports of Manufactured Goods also declined 6.6%yoy, due to

the fall in exports of E&E Products and Petroleum Products by 0.9%yoy and 28.0%yoy respectively. On a month-on-month basis, exports of Agricultural Goods, Manufactured Goods and Mining Goods fell by 16.7%, 14.8% and 24.2% respectively.

**Exports of E&E Products declined after registering 3 months of consecutive growth.** Exports of E&E products marginally declined 0.9%yoy due to the fall in exports of Television Receivers (-18.8%yoy), Radio-Broadcast Receivers (-24.9%yoy), Sound Recorder (-23.9%yoy), Telecommunication Equipment Parts (-16.6%yoy) and Electrical Power Machinery & Parts (-18.8%yoy). However, E&E exports was underpinned by exports of Automatic Data Processing Equipment (1.2%yoy) and Semi-Conductors (1.0%yoy). In addition, exports of Electronic Machine Apparatus also increased 13.3%yoy. To a large extent, the decline in exports of E&E products to China (-11.6%yoy), Japan (-4.6%yoy) and Singapore (-3.0%yoy) resulted in the fall in E&E exports. However, exports of E&E products to the US continue to be robust, expanding at 13.5%yoy in February.

**China's economic slowdown continues to take a toll on Malaysia's exports.** Exports to China declined 21.3%yoy in February. The fall in exports was attributed to the significant decline in exports of Palm Oil (-66.5%yoy), Crude Natural Rubber (-57.7%yoy), E&E Products (-11.6%yoy), Petroleum Products (-18.9%yoy) and Rubber Products (-50.2%yoy). Exports of LNG registered 4%yoy increase in February from a 0.6%yoy increase in the prior month.

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

	Aug-14	Sep-14	Oct-14	Nov-14	Dec-14	Jan-15	Feb-15
<b>Total Exports (RMb)</b>	<b>63.9</b>	<b>64.5</b>	<b>65.1</b>	<b>63.7</b>	<b>67.7</b>	<b>63.6</b>	<b>53.2</b>
<b>Exports by Key Country/Region</b>							
China	(21.8)	(8.4)	(17.9)	(14.6)	(14.9)	(22.7)	(21.3)
Hong Kong	14.9	4.2	(8.0)	(4.8)	1.1	0.1	(5.1)
USA	6.3	16.2	7.5	16.0	28.0	18.1	8.2
Japan	9.9	(1.6)	(4.7)	9.6	0.9	(0.9)	(6.2)
India	63.1	56.2	1.0	31.7	18.5	14.7	(13.8)
Australia	7.5	10.8	(14.4)	(2.7)	(26.8)	(14.5)	(10.9)
EU	5.7	2.2	(3.8)	8.6	21.4	3.7	(3.2)
ASEAN	1.2	3.3	0.9	13.3	0.2	1.8	(8.2)
<b>Selected ASEAN</b>							
Singapore	7.5	8.7	2.0	18	5.8	0.9	(4.9)
Thailand	3.6	3.2	3.5	3.6	3.4	3.8	0.1
Indonesia	(21.3)	17.0	(8.9)	6.6	(29.9)	(19.4)	(28.7)
Philippines	0.9	0.9	1.0	0.8	1.0	0.9	(15.7)
Vietnam	(3.0)	(11.8)	1.4	18.4	23.9	26.0	0.4

Source: Department of Statistics, Malaysia; MIDF Research

**However, the US market continues to be a bright spot for Malaysia while exports to the EU declined in February.** Exports to the US expanded by 8.2%yoy, driven mainly by the exports of E&E Products (13.5%yoy), Rubber Products (30.1%yoy), Optical & Scientific Equipment (14.9%yoy) and Other Manufactures (64.7%yoy). In addition, exports of Mining Goods increased by 0.2%yoy. On the other hand exports to the EU declined by 3.2%yoy after registering export growth for 3 consecutive months. The decline in exports to the EU was attributed to the decline in exports of Optical & Scientific Equipment (-11.7%yoy) and E&E Products (-0.5%yoy).


**Exports to ASEAN declined by 7.3%yoy in February.** The decline was attributed to the decline in exports of Petroleum Products (-35.2%yoy), Chemicals & Chemical Products (-22.4%yoy) and Crude Petroleum (-31.5%yoy). Among the selected ASEAN countries, exports to Indonesia, Singapore and Philippines declined by 28.7%yoy, 4.9%yoy and 15.7%yoy respectively. But exports to Thailand and Vietnam remains positive expanding at 0.1%yoy and 0.4%yoy respectively.

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

	Aug-14	Sep-14	Oct-14	Nov-14	Dec-14	Jan-15	Feb-15
E&E	3.9	5.5	(4.3)	7.1	14.9	6.3	(0.9)
Chemicals & Chemical Products	1.4	(7.0)	(3.4)	10.5	19.3	7.5	(6.1)
Crude Petroleum	21.4	(9.0)	2.5	12.5	(35.7)	3.1	(20.9)
LNG	1.9	2.7	9.7	(7.2)	12.9	0.6	(13.8)
Palm Oil	(0.8)	22.1	(0.3)	(13.2)	(6.7)	(21.3)	(28.3)
Petroleum Products	(24.7)	(5.3)	(11.4)	(6.1)	(34.1)	(41.5)	(28.0)

Source: Department of Statistics, Malaysia; MIDF Research

**Increase in imports of consumption goods attributed to the Chinese New Year festive season.** Imports of Consumption Goods significantly increased 13.2%yoy while imports of Capital Goods and Intermediate Goods increased by 6.6%yoy and 5.9%yoy respectively. In addition, the increase in total imports was also due to the increase in imports of Agricultural Goods (16.9%yoy) and Manufacturing Goods (2.0%yoy) while Mining Goods declined significantly by 34.7%yoy.

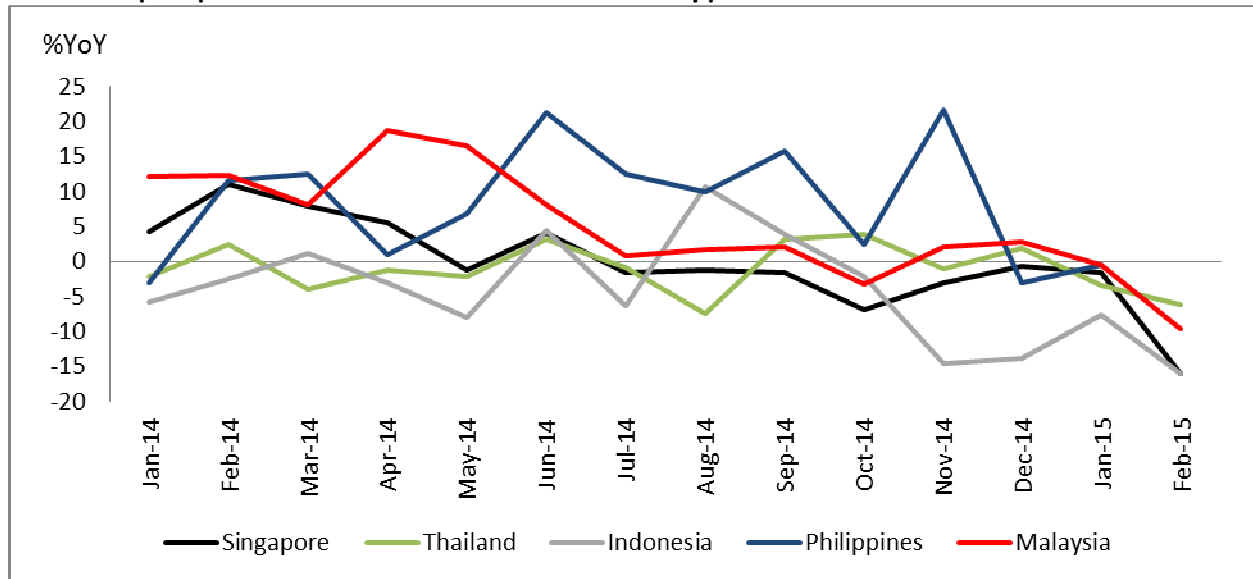
**Export performances of ASEAN have been on a downtrend in recent months.** Malaysia is not the only country in ASEAN that is being affected by China's economic slowdown. Singapore, Thailand, Indonesia and Philippines have been registering lackluster export performances. As we have mentioned earlier, China's economic slowdown is already unfolding into a structural shift and the continued weakness in ASEAN exports is testament of this fact. ASEAN will have to strengthen their intra-trade linkages and at the same time source out new export markets in order to remain competitive. Moving forward, we expect exports in the region to be soft for the year. Nonetheless, it is unlikely for Malaysia's trade balance to fall into negative territory amid the continued revival of the US economy and their large appetite for Malaysia's manufactured products. 

**Table 4: Export performance of selected ASEAN countries (%YoY)**

	Aug-14	Sep-14	Oct-14	Nov-14	Dec-14	Jan-15	Feb-15
Singapore	(1.2)	(1.6)	(7.0)	(3.1)	(0.7)	(1.6)	(16.1)
Thailand	(7.4)	3.2	3.9	(1.0)	1.9	(3.5)	(6.1)
Indonesia	10.7	3.9	(2.2)	(14.6)	(13.8)	(7.7)	(16.0)
Philippines	10	15.7	2.5	21.7	(3.0)	(0.5)	n/a

Source: Bloomberg; MIDF Research

Chart 1: Export performance of ASEAN countries have dipped in recent months



Source: Bloomberg; MIDF Research

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