

## MALAYSIA

### External Trade September – Trade balance unexpectedly higher

September's trade performance was a surprise with trade surplus recording its best performance since April 2014 at RM9.3b. This was due to imports decelerating led by decline in imports of capital and intermediate goods. Quarterly, Malaysia's trade is slowing down on an annual basis led by exports, signalling economic performance in the 3<sup>rd</sup> Quarter 2014 will be lower.

**Trade surplus surprisingly higher due to lower imports.** September's export grew slightly higher to +2.0% (August 14: +1.6% YoY; Consensus; +3.5% YoY) while imports expanded slightly to 1.0% YoY (August 14: +7.6% YoY; Consensus; +9.3% YoY), resulting a higher trade surplus of RM9.3b (August 14: RM3.9b). In terms of monthly growth, exports rebounded to 1.1% MoM. (August 14: +4.5% MoM), whilst imports declined to -8.0% MoM (August 14: +4.44% MoM).

**Trade slowing down in 3Q14.** Quarterly, exports increased marginally by 1.5% YoY to RM189.5b in the third quarter of 2014 (2Q14: 14.4% YoY) from RM186.7b in third quarter of 2013. Imports grew slightly lower at 2.6% YoY to RM172.7b (August 14: 8.5% YoY) from RM168.2b. Total trade expanded slightly by 2% YoY (2Q14: 11.5% YoY) to RM362.2b from RM354.9b. Trade surplus narrowed to RM16.8b, from RM18.5b recorded in 3Q13. The expansion in exports was due to higher exports of E&E products which increased by RM1.7b; palm oil up by RM955.4m; crude petroleum (up by RM745.2m), processed food (increasing by RM706.3m) as well as chemicals and chemical products (up by RM702.2m). On a year-on-year basis, Malaysia's exports significantly increased to India by RM3.3b; Singapore (up by RM2.8b), the USA (expanding higher by RM1.3b), Hong Kong (increasing by RM990.7m), Australia (up by RM795.6m) and the Philippines (increasing by RM725.7m).

Table 1: Malaysia-External Trade Summary

	Mar-14	Apr-14	May-14	Jun-14	Jul-14	Aug-14	Sep-14	YTD 2014	2013
<b>Exports (RMb)</b>	<b>65.0</b>	<b>66.2</b>	<b>64.9</b>	<b>61.2</b>	<b>61.1</b>	<b>63.9</b>	<b>64.5</b>	<b>569.7</b>	<b>719.8</b>
% YoY	8.3	18.7	16.3	7.9	0.6	1.6	2.0	8.6	2.4
% MoM	10.3	2.0	(2.0)	(5.7)	(0.2)	4.5	1.0		
<b>Imports (RMb)</b>	<b>55.4</b>	<b>57.5</b>	<b>59.2</b>	<b>57.3</b>	<b>57.5</b>	<b>60.0</b>	<b>55.2</b>	<b>508.0</b>	<b>649.1</b>
% YoY	0.5	5.0	11.9	9.2	(0.7)	7.6	1.1	5.5	7.0
% MoM	14.4	3.7	2.9	(3.3)	0.4	4.4	(8.0)		
<b>Total Trade (RMb)</b>	<b>120.4</b>	<b>123.7</b>	<b>124.1</b>	<b>118.5</b>	<b>118.6</b>	<b>123.9</b>	<b>119.7</b>	<b>1,077.7</b>	<b>1368.9</b>
% YoY	4.6	11.9	14.2	8.5	0.0	4.4	1.6	7.1	4.5
% MoM	12.1	2.8	0.3	(4.5)	0.1	4.5	(3.4)		
<b>Trade Balance (RMb)</b>	<b>9.5</b>	<b>8.9</b>	<b>5.7</b>	<b>4.0</b>	<b>3.6</b>	<b>3.9</b>	<b>9.3</b>	<b>61.6</b>	<b>70.7</b>
<b>Import Components</b>									
<b>Consumption (RMb)</b>	<b>3.5</b>	<b>4.4</b>	<b>4.3</b>	<b>4.2</b>	<b>4.3</b>	<b>4.2</b>	<b>4.0</b>	<b>37.3</b>	<b>47.5</b>
% YoY	18.0	19.8	8.9	4.9	7.6	8.5	(1.0)		8.7
<b>Capital</b>	<b>6.5</b>	<b>8.3</b>	<b>8.3</b>	<b>8.4</b>	<b>8.8</b>	<b>8.6</b>	<b>6.9</b>	<b>70.9</b>	<b>98.8</b>
% YoY	(12.4)	(9.2)	4.3	8.5	15.1	9.7	(19.4)		2.8
<b>Intermediate</b>	<b>27.7</b>	<b>32.3</b>	<b>32.8</b>	<b>34.6</b>	<b>33.7</b>	<b>37.6</b>	<b>35.0</b>	<b>302.3</b>	<b>379.2</b>
% YoY	9.6	(3.3)	(3.9)	10.4	2.7	19.8	11.2		4.3

Source: DOS, MIDFR

**August's performance driven by expansion of agricultural products and manufactured products.** Agricultural products increased by 11.0% YoY to RM6.6b due to higher exports of exports of palm oil. Manufactured goods increased by 2.2% YoY to RM49.1b, compared with September 2013. The increase in exports of manufactured goods was contributed mainly by higher exports of E&E products of 5.5% YoY (August 14: 3.9% YoY) by RM1.1b especially electronic integrated circuits; iron and steel products; processed food; optical and scientific equipment. Exports of mining goods decreased by 4.6% to RM8.4b, with lower exports of crude

petroleum declining by -9.0% YoY (August 14: 21.4% YoY) and petroleum products dropping by -5.3% YoY (August 14: -24.7% YoY).

**Demand for Malaysia's goods uneven.** Exports to the major economies were mixed, with China's appetite of Malaysian goods contracting by -8.4% YoY (August 14: -21.8% YoY) the 5<sup>th</sup> straight month of decline. Exports to China contracted due to lower exports of commodities mainly palm, crude natural rubber and LNG. E&E exports which accounted for 56.4% of total exports to the PRC however grew by 22.9% or RM843m. Exports to **Japan** decreased by -1.8% YoY to RM6.5b, attributed mainly to lower exports of E&E products by RM163.1m. However, exports of LNG, chemicals and chemical products, transport equipment as well as textiles, clothings and footwear recorded growth. Exports to the EU increased slightly to 2.2% (August 14: 5.7% YoY) to RM6.1b in September 2014. Growth was led by exports of E&E products, machinery, appliances and parts as well as processed food. E&E exports to the EU registered an increase of 8.3% or RM245.3m, mainly electronic integrated circuits. Exports to **the USA** registered a double digit growth of 16.2% to RM5.7b in September 2014 (August 14: 16.2% YoY) with higher exports of E&E products, chemicals and chemical products as well as optical and scientific equipment.

**Asean is still the top export destination.** Exports to Asean accounts for 27.7% of total exports in September 2014 (August 14: 28%), followed by China at 12.4% (August 14: 11.2%) and Japan at 10.1% (August 14: 10.8%). Exports to Asean expanded higher to +3.3% YoY (August 14: +1.2% YoY). Growth was driven mainly by higher exports of petroleum products; optical and scientific equipment (automatic or controlling instruments and apparatus), chemicals and chemical products (polymer of ethylene in primary forms), palm oil as well as LNG.

**Table 2: Malaysia-Exports on selected Asean Countries**

	Jun -14		Jul-14		Aug-14		Sep-14	
	RMb	% YoY	RMb	% YoY	RMb	% YoY	RMb	% YoY
Singapore	8.4	6.5	9.9	16.6	9.3	7.5	8.9	8.7
Thailand	3.4	13.1	2.9	(16.2)	3.6	4.8	3.2	(14.1)
Indonesia	2.8	4.7	2.1	(34.6)	2.5	(21.3)	2.9	17.0
Phillipines	0.9	9.1	1.3	56.6	0.9	35.2	0.9	1.5
Vietnam	1.1	29.6	1.1	0.6	1.1	(3.0)	1.3	(11.8)

Source: DOS, MIDFR

**Imports of Capital goods decelerating.** Imports were dragged down by decrease in consumption and capital goods -1.0% YoY (August 14: -8.5% YoY) and -19.4% YoY respectively (August 14: +8.5% YoY and +9.7% YoY respectively). Imports of intermediate products showed deceleration at +11.2% YoY (August 14: +19.8% YoY)

Table 3: Malaysia-Exports (% YoY)

	Jan-14	Feb-14	Mar-14	Apr-14	May-14	Jun-14	Jul-14	Aug-14	Sep-14
<b>Total Exports</b>	<b>62.2</b>	<b>65.7</b>	<b>64.0</b>	<b>58.9</b>	<b>65.0</b>	<b>66.2</b>	<b>64.8</b>	<b>61.2</b>	<b>61.1</b>
<b>Exports by Key Country/Region</b>									
ASEAN	(4.8)	5.7	10.9	17.5	14.7	9.6	1.7	1.2	3.3
USA	(0.3)	8.4	5.2	17.1	13.8	9.5	4.5	6.3	16.2
EU	26.1	15.8	14.1	20.7	23.4	3.9	8.9	5.7	2.2
Japan	12.2	17.5	(0.9)	16.5	11.4	(2.6)	(22.1)	9.9	(1.6)
China	28.5	23.6	(1.8)	13.1	(0.4)	(1.9)	(14.4)	(21.8)	(8.4)
Hong Kong	52.3	41.9	15.5	58.5	40.3	27.0	18.0	14.9	4.2
Indonesia	11.7	(19.8)	9.2	11.7	28.2	4.7	(34.6)	(21.3)	17.0
Australia	53.7	13.1	46.0	28.0	58.8	11.1	16.7	7.5	10.8
India	(19.4)	(18.5)	(4.3)	(45.3)	10.7	9.0	18.9	63.1	56.2
Taiwan	11.8	2.5	(27.8)	(1.9)	35.8	(0.8)	46.2	(12.1)	(4.6)
<b>Exports by Major Products</b>									
E&E	14.6	18.0	6.2	22.0	12.3	5.5	(1.0)	3.9	5.5
Chemicals & Chemical Prod.	5.5	12.0	11.0	14.8	9.9	(6.3)	(7.0)	1.4	(7.0)
Crude Petroleum	(2.6)	(8.2)	(6.6)	37.1	73.4	24.5	26.2	21.4	(9.0)
LNG	26.6	18.8	3.2	31.8	17.3	11.2	(22.9)	1.9	2.7
Palm Oil	3.8	0.1	3.6	(4.0)	17.2	5.3	16.7	10.9	10.9
Petroleum Products	13.4	0.2	35.9	42.4	55.4	12.7	31.2	(24.7)	(5.3)

Source: DOS, CEIC

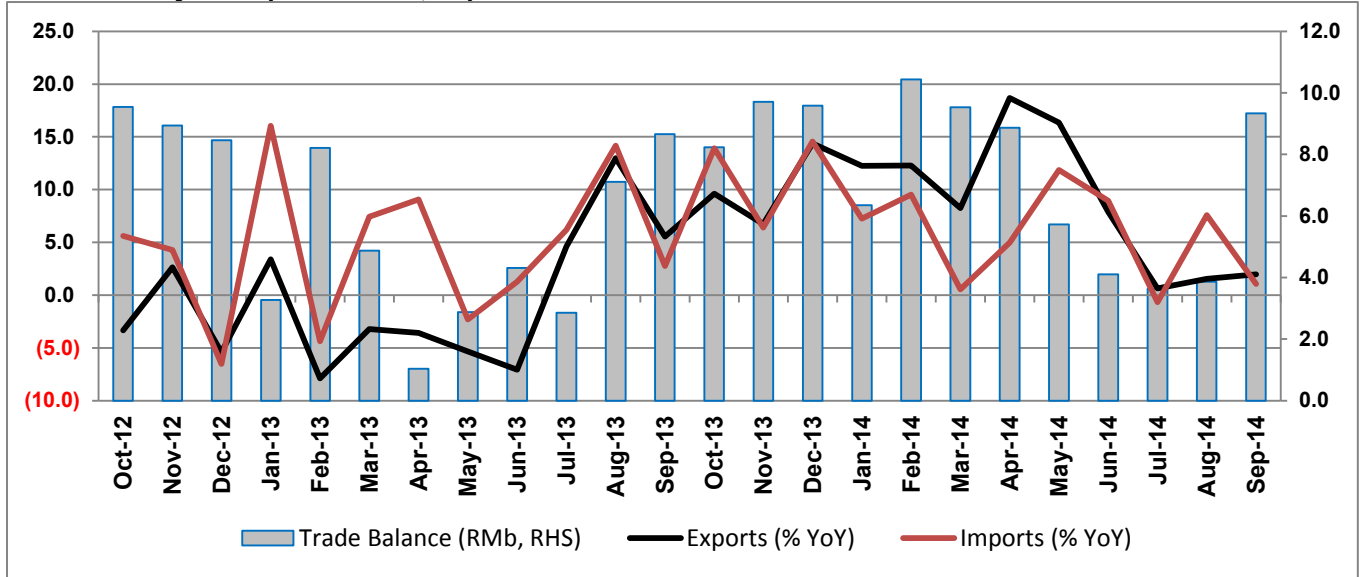
**Global economy still uneven.** Global manufacturing-hence trade growth momentum remains mixed. Except for the USA, PMI for most of the major economies seems to be on a standstill. Eurozone, Japan and China seemed to be slowing down. With uneven dynamics in the global trade, Malaysia's trade momentum seemed to be uneven but likely to head south for the rest of the year.

Table 4: Global Manufacturing PMI

	Jan-14	Feb-14	Mar-14	Apr-14	May-14	Jun-14	Jul-14	Aug-14	Sep-14	Oct-14
<b>Global</b>	<b>53</b>	<b>53.2</b>	<b>52.4</b>	<b>51.9</b>	<b>52.2</b>	<b>52.6</b>	<b>52.5</b>	<b>52.6</b>	<b>53.6</b>	<b>54.8</b>
US (ISM)	51.3	53.2	53.7	54.9	55.4	55.3	57.1	59	56.6	59
US (Markit)	53.7	57.1	55.5	55.4	56.4	57.3	55.8	57.9	57.5	55.9
Eurozone (Markit)	54.4	53.8	53.5	53.9	52.2	51.8	51.8	50.7	50.3	50.6
Japan (Markit)	56.6	55.5	53.9	49.4	49.9	51.5	50.5	52.2	51.7	52.8
UK					56.8	57.2	55.4			
China (HSBC)	49.5	48.5	48	48.1	49.4	50.7	51.7	50.2	53.5	52.9
China (NBI)	50.5	50.2	50.3	50.4	50.8	51	51.7	51.1	51.1	50.8
Brazil (HSBC)	50.8	50.4	50.6	49.3	48.8	48.7	49.1	50.2	49.3	49.1
India (HSBC)	51.4	52.5	51.3	51.3	51.4	51.5	53	52.4	51	51.6
Russia (HSBC)	48	48.5	48.3	48.5	48.9	49.1	51	51	50.4	50.3
S.Korea	50.9	49.8	50.4	50.2	49.5	48.4	49.3	50.3	48.8	48.7
Taiwan (HSBC)	55.5	54.7	52.7	52.3	52.4	54	55.8	56.1	53.3	52
Singapore	50.5	50.9	50.8	51.1	50.8	50.5	51.5	49.7	50.5	51.9
Vietnam					52.5	52.3	51.7			
Indonesia (HSBC)	51	50.5	50.1	51.1	52.4	52.7	52.7	49.5	50.7	49.2

Source: Bloomberg, Trade Economics

**Chart 1: Malaysia-Export Growth, Import Growth & Trade Balance**



Source: DOS, MIDFR

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