

ECONOMIC REVIEW | November 2015 External Trade

Highest Trade Balance for the First Eleven Month in 3 Years

- *Despite the rather muted performance of November trade, Malaysia recorded the highest trade balance for the first eleven month of trade in 3 years. Trade balance in November stood at RM10.2 billion, the second highest figure of the year. Both export and import grew year-on-year by 6.3% and 9.1% respectively but decline on a seasonally adjusted month-on-month basis by 5.2% and 1.3% respectively.*
- *Manufactured goods continued to drive exports performance, expanding by 9.0%yoy while mining goods still on the downtrend – declining by 11.0%yoy. Chemicals and petroleum products were the standout performer which saw exports of both items grew by 24.7%yoy. We noted that exports to Philippines expanded tremendously by 40.3%yoy while exports to China also notched double-digit growth at 14.3%yoy*
- *We maintain our exports forecast for year 2016 at 4.0-5.0%.*

Trade surplus surged to RM86.3 billion, record high in 3 years. The accumulated trade balance for the first eleven month of the year was recorded at RM86.3 billion supported by a sizeable trade balance in November at RM10.2 billion. Exports figure fell below the RM70 billion mark to RM67.6 billion (6.3%yoy) but fell sharply on a seasonally adjusted month-on-month basis by 5.2%. Similarly, imports were recorded at RM57.4 billion, increasing by 9.1%yoy but saw a contraction on seasonally adjusted monthly basis by 1.2%. On this score, total trade contracted on a seasonally adjusted monthly basis by 3.4%, although it should not be surprising as our exports surged consecutively in the last few months. November total trade figure declines 9 out of 10 times for the past 10 years.

Exports to China grew the most among the major exports destinations. Exports to China expanded healthily by 14.3%yoy in November, shrinking the gap of exports to Singapore which grew only by 2.3%yoy. On a year-to-date count, the difference between exports to China and Singapore was only RM6.3 billion.

Table 1: Malaysia's External Trade Summary

	May-15	Jun-15	Jul-15	Aug-15	Sep-15	Oct-15	Nov-15	Jan-Nov 15
Exports (RMb)	60.5	64.3	63.2	66.5	70.2	75.8	67.6	711.6
% YoY	(6.7)	5.0	3.5	4.1	8.8	16.7	6.3	1.9
%MoM	0.1	6.3	(1.6)	5.2	5.5	8.1	(10.8)	
Imports (RMb)	55.0	56.3	60.9	56.3	60.5	63.7	57.4	625.3
% YoY	(7.2)	(1.5)	5.9	(6.1)	9.6	(0.4)	9.1	0.1
%MoM	2.7	2.4	8.1	(7.4)	7.3	5.3	(9.8)	
Total Trade	115.4	120.5	124.1	122.9	130.6	139.5	125.0	1,337.0
% YoY	(6.9)	1.9	4.6	(0.8)	9.1	8.2	7.6	1.1
%MoM	1.3	4.5	2.9	(1.0)	6.3	6.8	(10.4)	
Trade Balance (RMb)	5.5	8.0	2.4	10.2	9.7	12.2	10.2	86.3
Import Components								
Consumption (RMb)	5.8	5.3	4.8	5.7	15.7	5.8	5.8	56.2
% YoY	36.8	25.7	13.7	43.2	26.5	34.1	43.8	22.8
Capital (RMb)	7.3	7.5	7.4	9.0	23.8	9.2	8.2	87.9
% YoY	(16.5)	3.2	(13.9)	29.9	(5.6)	18.8	2.6	1.8
Intermediate (RMb)	32.8	36.7	32.5	32.7	101.8	37.1	31.8	363.6
% YoY	(2.4)	5.7	(13.7)	(6.5)	5.3	(9.5)	1.5	(3.0)

Source: Department of Statistics, Malaysia; MIDF Research

Decent exports growth to USA and Thailand, Japan, Australia and Hong Kong continued to decline. Exports to USA and Thailand noted good expansion in November, growing by 9.2%yoy and 9.5%yoy respectively. Meanwhile, exports to Japan, Australia and Hong Kong on the decline – shrunk by 17.4%, 9.4% and 3.0% respectively on year-on-year basis. The poor performance could be attributed to multiple factors – weak commodities prices particularly crude oil and LNG and slower global trade activity in November.

Manufactured exports grew by 9.0%yoy, led by chemical and petroleum products. Manufactured goods grew by 9.0%yoy in November, taking the lion share of total exports by 79.9%. Agricultural goods also grew by 9.2%yoy supported by stronger exports of palm and palm oil based products. However, mining goods exports contracted sharply by 11.0%yoy following the rout of crude oil and LNG prices globally, plunging close to 50% on year-on-year basis. Performance of exports of electrical and electronic products was rather muted in November, increasing marginally by 0.6%yoy but remained as the major contributor with 34.2% share of our total exports.

Table 2: Malaysia's Exports (%YoY)

	Jun-15	Jul-15	Aug-15	Sep-15	Oct-15	Nov-15
Total Exports (RMb)	64.3	63.2	66.5	70.2	75.8	67.6
Exports by Key Country / Region						
China	49.3	32.7	32.4	13.1	25.9	14.2
Hong Kong	4.3	(5.5)	0.0	2.6	(0.8)	(3.0)
USA	9.5	20.2	24.2	16.5	30.5	9.2
Japan	(25.1)	4.4	(16.2)	(8.2)	5.1	(17.4)
India	11.3	1.7	(22.3)	(20.5)	29.1	5.7
Australia	(29.9)	(7.7)	(36.8)	(21.0)	28.9	(9.4)
EU	15.6	3.9	13.5	23.7	27.0	5.9
ASEAN	6.4	(2.6)	7.9	11.5	12.2	6.2
Selected ASEAN						
Singapore	3.8	(12.5)	4.3	10.4	12.2	2.3
Thailand	11.9	9.5	16.1	16.2	17.5	9.5
Indonesia	(7.6)	13.5	(5.3)	(10.3)	(6.4)	(6.5)
Philippines	10.6	(7.7)	24.6	70.8	11.2	40.3
Vietnam	33.1	28.6	28.1	26.8	28.2	5.6

Source: Department of Statistics, Malaysia; MIDF Research

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

	Jun-15	Jul-15	Aug-15	Sep-15	Oct-15	Nov-15
E&E	13.5	12.1	16.7	13.6	22.7	0.6
Chemicals & Chemical Products	15.1	19.9	0.7	17.8	18.5	24.7
Crude Petroleum	(34.1)	(25.4)	(40.6)	(12.2)	(8.8)	(2.6)
LNG	(45.2)	(23.6)	(42.3)	(33.3)	(16.1)	(20.5)
Palm Oil	21.6	0.2	4.0	(7.3)	3.6	7.2
Petroleum Products	(9.6)	(34.4)	(7.1)	(10.1)	(21.2)	24.7

Source: Department of Statistics, Malaysia; MIDF Research

Record figure for imports of consumption goods, highest growth in 11 years. Imports of consumption goods grew by 43.8%yoy to RM5.824 billion, a record figure since 1997. We note that the figure for import of consumption goods has surged since the implementation of the new tax regime – Good and Services Tax (GST). On other hand, capital goods expanded by 2.6%yoy and imports of intermediate goods rebounded in November, expanding by 1.5%yoy. The expansion of imports of intermediate goods in November could suggest a more resilient industrial production in the coming months.

Exports for the first eleven months of the year grew by 1.9%yoy, forecast for 2016 remained at 4.0-5.0%yoy. Strong export performance in the first eleven months of 2015 saw the exports grew by 1.9%yoy. The better performance was largely attributed to sharp depreciation in Ringgit which helped to boost exports competitiveness. Nonetheless, imports growth was marginal at 0.1%yoy which could suggest that local consumers and industrial players switch to local sources in meeting their demand.



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