

## ECONOMIC REVIEW | November 2023 External Trade

### Exports Fell Sharper at -5.9%yoy in Nov-23 Due to Weakness in E&E Exports

- Exports fell sharper in Nov-23. Malaysia's total trade declined for the 9th month in a row, falling by -2.4%yoy in Nov-23. The lower trade was mainly underpinned by a sharper fall in exports, which caused the trade surplus to shrink to 3.5-year low of RM12.4b. Exports fell sharper by -5.9%yoy due to weakness in E&E shipments as well as sharper fall in exports to major destinations like China and the US.
- Sharper contraction in shipments to China and the US. By destination, Malaysia's exports to major trading partners, including China and the US, weakened, and declined faster in Nov-23. The decline in exports to China (share: 14.1% of Nov-23 exports) was steeper at 8.4%yoy, due to lower exports of E&E and palm oil & palm oil products.
- Sharper fall in E&E exports vs. higher petroleum exports. By sector, the sharper fall in exports in Nov-23 was mainly explained by the weak exports of manufactured goods (-6.7%yoy), with reduced shipments of E&E exports (-13.8%yoy). In contrast, mining goods exports rose marginally by +0.5%yoy, thanks to among others higher exports of petroleum products.
- External trade to recover next year. We maintain our forecast that exports and imports will recover next year, a pick-up from projected declines of -7.6% and -7.0%, respectively, in 2023. The trade outlook could be affected by factors such as a significant slowdown in demand from the advanced economies, worsening of geopolitical and trade tensions and elevated price pressures.

**Exports fell sharper in Nov-23.** Malaysia's total trade declined for the 9th month in a row, falling by -2.4%yoy in Nov-23. The lower trade was mainly underpinned by a sharper fall in exports, in contrast to imports, which rebounded and registered the first annual growth after 8 months of contraction. The weak exports also resulted in the trade surplus shrinking to RM12.4b, the smallest surplus in 3.5 years. Exports fell sharper by -5.9%yoy, extending the year-on-year contraction from Mar-23. The Nov-23 export performance was somewhat worse than expected due to weakness in E&E shipments as well as sharper fall in exports to major destinations like China and the US. The weakness was also reflected in the sharper drop in domestic exports (Nov-23: -7.4%yoy; Oct-23: -5.1%yoy), partly limited by the marginal rise in re-exports (Nov-23: +0.1%yoy; Oct-23: -2.2%yoy). On a month-on-month basis, exports decreased by -3.2%mom, primarily dragged down by lower exports of E&E products and other manufactured goods such as transport equipment and optical & scientific equipment. On the other hand, crude petroleum exports surged +45.6%mom but limited by -3.7%mom decline in refined petroleum products. Despite the weaker-than-expected performance in Nov-23, we still expect exports to pick and recover going forward in view of improving regional trade performance in recent months.

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

	May-23	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23
<b>Exports (RMb)</b>	119.5	124.0	116.8	115.0	124.3	126.1	122.1
% YoY	(0.9)	(14.1)	(13.0)	(18.7)	(13.8)	(4.5)	(5.9)
% MoM	13.6	3.7	(5.8)	(1.5)	8.1	1.4	(3.2)
<b>Imports (RMb)</b>	103.8	98.4	99.5	97.8	99.9	113.2	109.7
% YoY	(3.7)	(18.7)	(16.1)	(21.2)	(11.1)	(0.3)	1.7
% MoM	12.1	(5.2)	1.1	(1.6)	2.1	13.3	(3.1)

	May-23	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23
<b>Total Trade (RMb)</b>	223.3	222.4	216.3	212.9	224.2	239.3	231.8
% YoY	(2.2)	(16.2)	(14.5)	(19.9)	(12.6)	(2.5)	(2.4)
% MoM	12.9	(0.4)	(2.7)	(1.6)	5.3	6.7	(3.1)
<b>Trade Balance (RMb)</b>	15.7	25.5	17.4	17.2	24.4	12.9	12.4
<b>Import Components</b>							
<b>Intermediate (RMb)</b>	54.9	47.9	48.9	51.5	49.7	55.7	56.2
% YoY	(13.0)	(25.3)	(20.8)	(22.5)	(15.2)	(8.1)	(5.2)
<b>Capital (RMb)</b>	9.9	9.7	10.5	10.7	10.8	12.7	14.9
% YoY	13.0	(12.6)	(4.3)	5.3	(6.4)	8.6	53.3
<b>Consumption (RMb)</b>	8.9	8.2	8.7	8.5	8.8	9.4	9.7
% YoY	4.5	(11.9)	2.8	(5.5)	(0.5)	9.9	2.2

Note: MoM is non-seasonally adjusted figure

Source: Macrobond, MIDFR

**Imports rose for the first time in 9 months.** Imports increased by +1.7%yoy in Nov-23 (Oct-23: -0.3%yoy), marking the first annual growth since Feb-23. This was underpinned mainly by higher imports of capital goods (+53.3%yoy) and consumer goods (+2.2%yoy). Intermediate goods imports, on the other hand, continued to fall albeit at a slower pace (-5.2%yoy). The slower contraction pointed to stabilization in purchases of foreign-made intermediate goods shipped into Malaysia as the value rose to 12-month high of RM56.2b. On another note, the sustained growth in imports of consumption goods suggests a positive outlook for domestic spending activity. By sector, the rebound in imports was mainly driven by higher imports of manufactured goods (+2.2%yoy), mainly transport equipment (+42.2%yoy) and petroleum products (+7.6%yoy). Increased imports of mining goods (+3.8%yoy) also contributed to the import growth in Nov-23, largely driven by higher imports of crude petroleum (+25.6%yoy). Looking at the stabilization in intermediate goods imports, this suggests local businesses gradually increased their purchases in anticipation of improved demand, in line with improved sentiment as highlighted in the Nov-23 manufacturing PMI report.

**Sharper contraction in shipments to China and the US.** By destination, Malaysia's exports to major trading partners, including China and the US, weakened, and declined faster in Nov-23. The decline in exports to China (share: 14.1% of Nov-23 exports) was steeper at 8.4%yoy, mainly due to lower demand for E&E products and palm oil & palm oil products. Exports to the US (share: 10.6% of Nov-23 exports) also turned to negative, falling at -8.5%yoy dragged down by lower shipments of E&E and petroleum products. Exports to Hong Kong and EU countries also weakened, falling by -14.4%yoy and -6.9%yoy, respectively. Reduced shipment to Hong Kong was due to lower E&E exports, while lower shipments of transport equipment and petroleum products contributed to the weak exports to the EU countries. Malaysia's exports to ASEAN fell at the same pace of -5.8%yoy in Nov-23 primarily because of reduced demand for E&E products (-25.1%yoy). We expect continued recovery in China would lend support to external trade recovery. However, trade outlook could be constrained by subdued demand from the US as the economy is expected to experience moderate growth next year as consumers and businesses will be hit by the high interest rates and tight financial conditions.

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

	May-23	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23
<b>Total Exports (RMb)</b>	<b>119.5</b>	<b>124.0</b>	<b>116.8</b>	<b>115.0</b>	<b>124.3</b>	<b>126.1</b>	<b>122.1</b>
Re-exports (RMb)	25.9	30.2	27.7	23.1	27.6	29.8	26.2
Domestic Exports (RMb)	93.6	93.8	89.1	91.9	96.7	96.3	95.9
<b>Exports by Key Country / Region</b>							
China	1.4	(8.0)	5.8	(20.3)	(17.3)	(7.1)	(8.4)
USA	15.3	(19.0)	2.2	(9.7)	(9.3)	3.9	(8.5)
Japan	2.1	(20.9)	(24.8)	(19.4)	(25.5)	(23.8)	(18.3)
India	(5.6)	(32.0)	(16.2)	(17.6)	(12.4)	4.6	(19.7)
Hong Kong	(7.8)	(11.2)	(3.8)	(33.4)	(12.0)	5.9	(14.4)
Australia	28.7	9.1	(0.1)	12.6	(26.2)	(8.1)	6.5
EU	(6.1)	(21.8)	(6.0)	(4.6)	(8.3)	0.7	(6.9)
ASEAN	(1.7)	(10.6)	(18.7)	(20.9)	(10.9)	(5.8)	(5.8)
Singapore	6.8	(0.9)	(19.6)	(19.4)	(12.0)	(8.2)	(17.0)
Thailand	(8.9)	(26.5)	(17.7)	(22.5)	4.8	(21.6)	(0.8)
Indonesia	(11.8)	(8.5)	(18.0)	(40.3)	(31.8)	(10.1)	4.9
Vietnam	13.0	(6.0)	0.2	23.4	12.1	11.6	40.4
Philippines	(21.5)	(9.5)	(30.9)	8.9	(11.1)	20.4	(1.8)

Source: Macrobond, MIDFR

**Sharper fall in E&E exports vs. higher petroleum exports.** By sector, sharper fall in exports in Nov-23 was mainly explained by the weak exports of manufactured goods (-6.7%yoy), with reduced shipments of E&E exports (-13.8%yoy), chemical & chemical products (-15.7%yoy), and transport equipment (-42.9%yoy). Agriculture goods exports also fell by -5.5%yoy in Nov-23, mainly reflective of weaker palm oil & palm oil-based agriculture exports (-10.9%yoy), partly offset by higher exports of other agriculture products. In contrast, mining goods exports rose marginally by +0.5%yoy, thanks to higher exports of crude petroleum (+26.4%yoy), petroleum condensates & other petroleum oil (+606.3%yoy), and metalliferous ores & metal scrap (+19.6%yoy). The increases in exports of these 3 mining commodities more than offset the decline in LNG exports (-14.8%yoy), which contracted for the 6th straight month. Apart from demand for commodities, we foresee growing demand for manufactured goods will support exports going forward, in anticipation of recovering global E&E demand and inventory rebuilding by manufacturers.


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

	May-23	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23
E&E	1.5	3.3	7.3	(15.5)	(5.6)	(2.4)	(13.8)
Machinery, Equipment & Parts	13.0	(17.6)	(21.0)	(11.5)	(5.2)	6.6	12.0
Optical & Scientific Equipment	11.5	(8.4)	(4.2)	(13.3)	(7.4)	1.2	(12.8)
Palm oil & palm-oil based products	(36.1)	(45.9)	(34.6)	(33.1)	(24.7)	(5.5)	(7.2)
Crude Petroleum	(5.5)	(43.7)	(20.6)	(22.5)	(13.9)	(22.3)	26.4
Petroleum Products	13.8	(36.9)	(50.8)	(39.9)	(37.8)	(23.7)	8.2
LNG	6.7	(40.8)	(39.7)	(26.0)	(37.8)	(34.9)	(14.8)
Rubber products	(20.9)	(32.7)	(22.6)	(26.0)	(17.8)	(5.2)	4.6
Transport equipment	23.9	15.3	9.4	(6.6)	(10.8)	24.9	(42.9)

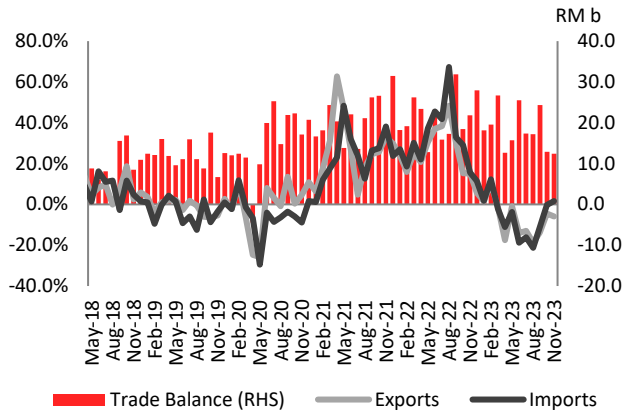
Source: Macrobond, MIDFR

**Trade volume picked up in recent months.** Trade volume, which bottomed out in Aug-23, showed another month of improvement in Oct-23. For exports, the source of decline can be attributable to both lower volume and unit price. In particular, the improvement (i.e. slower contraction) in export volume was more significant, which slowed to -1.9%yoy from sharper drop of -10.7%yoy in Sep-23. The fall in export price also eased to -2.2%yoy in Oct-23, only improving from -3.5%yoy drop in Sep-23. Products that registered increased export volume were oils & fats, F&B, and manufactured goods. For imports, the volume even rebounded to first growth in Oct-23 after 7 months of declines. Almost all types of goods such as F&B and manufactured goods recorded higher import volume in Oct-23, except oil & fats as well as machinery & transport equipment. Import price in Nov-23, on the other hand, fell at the same pace -1.4%yoy as in Sep-23, due to lower volume in imports of crude inedible materials machinery & transport equipment, chemicals and mineral fuels, lubricants & related materials. Going forward, we expect further improvement in trade volume will help to support the recovery in external trade.

**Petroleum products turned to trade surplus, but surplus in E&E trade shrank.** The surplus in E&E remained the biggest component contributing to the sustained trade surplus in Nov-23. The decline in overall trade surplus to RM12.4b (Oct-23: RM12.9b) can be explained by the drop in E&E trade surplus, which fell by -RM4.3b to RM12.7b (Oct-23: RM16.9b) as E&E exports weakened again and fell sharper in Nov-23. Transport equipment trade also contributed to the lower surplus as the sector's trade deficit widened to -RM4.8b (Oct-23: -RM3b). Meanwhile, the decrease in overall surplus was limited by better trade of petroleum products which turned to surplus of +RM2.3b in Nov-23 (Oct-23: -RM2b), and smaller deficit in crude petroleum exports which shrank to -RM2.3b (Oct-23: -RM3.9b). We believe the improvement in petroleum trade was due to increased volume amid reduced oil prices, with Brent crude averaging lower at USD82.03pb (Oct-23: USD88.70pb). Given the sustained surplus in E&E trade, we believe Malaysia's trade will remain in surplus. However, dependency on imports for products such as transport equipment, machinery, chemicals and even agriculture (and food) products would limit the size of surplus from growing further.

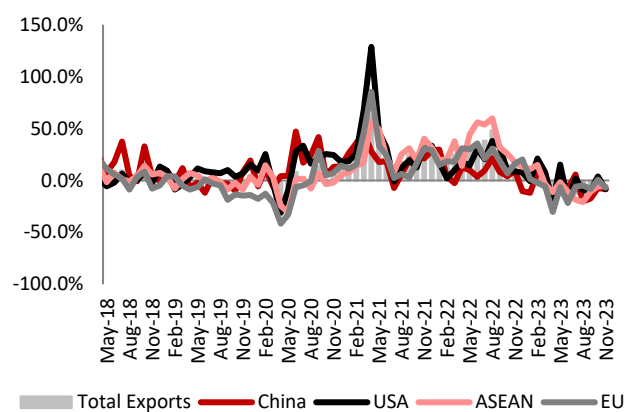
**External trade to recover next year.** We maintain our forecast that exports and imports will recover next year, a pick-up from projected declines of -7.6% and -7.0%, respectively, in 2023. We tweaked our imports growth projection (previous forecast: -7.4%) to reflect smaller contraction given the better-than-expected recent import numbers. With growth for both exports and imports averaging at -7.8%yoy and 7.1%yoy, respectively, in the first 11 months, we continue to expect an upside bias in the final quarter of 2023 such as a stronger demand from China and turnaround in E&E trade will result in the full-year decline to be not as steep as we estimated. Going into next year, we foresee the momentum for external trade recovery will continue. Nevertheless, factors such as significant slowdown in final demand from the advanced economies, worsening of geopolitical and trade tensions and elevated price pressures, could adversely affect global trade outlook. 

**Chart 1: Exports & Imports (YoY%) vs Trade Balance (RM b)**



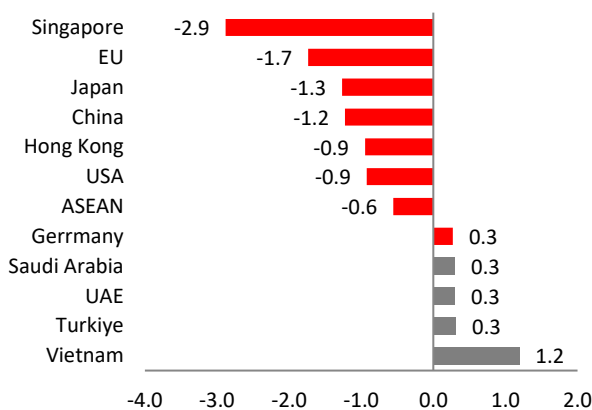
Source: Macrobond, MIDFR

**Chart 2: Exports Growth by Major Destination (YoY%)**



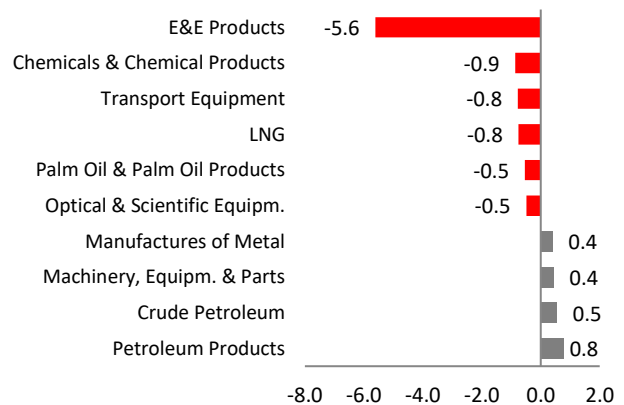
Source: Macrobond, MIDFR

**Chart 3: Contribution to Total Exports Growth in Nov-23 by Destinations (%-points)**



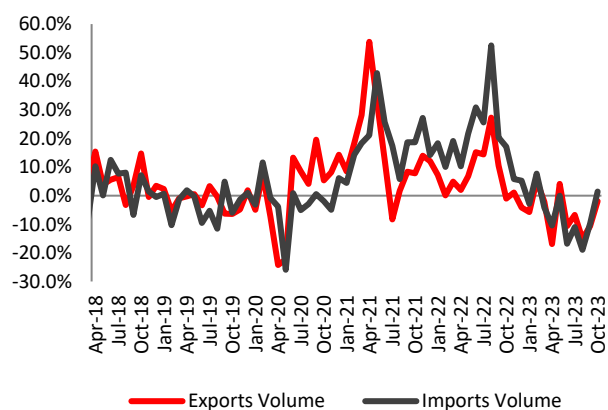
Source: Macrobond, MIDFR

**Chart 4: Contribution to Total Exports Growth in Nov-23 by Key Products (%-points)**



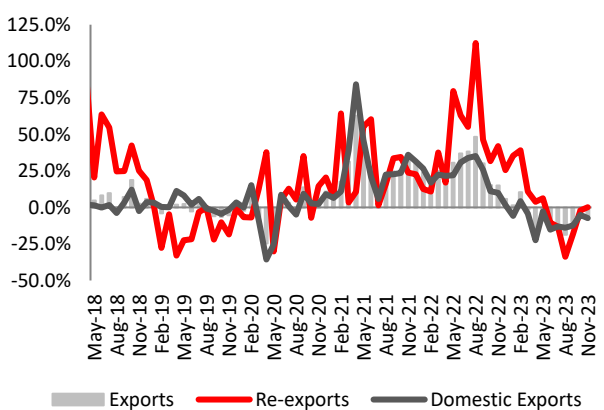
Source: Macrobond, MIDFR

**Chart 5: Exports vs Imports Volume (YoY%)**



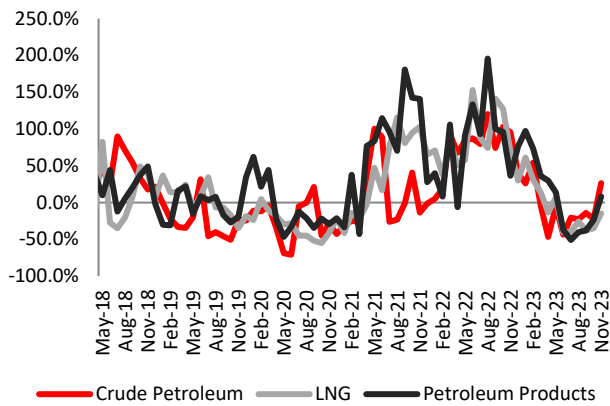
Note: Latest available data as of Oct-23  
Source: Macrobond, MIDFR

**Chart 6: Exports: Domestic vs Re-exports (YoY%)**



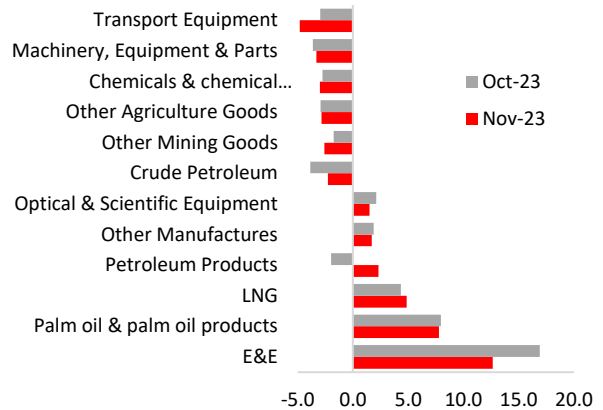
Source: Macrobond, MIDFR

**Chart 7: Exports of Mining Goods (YoY%)**



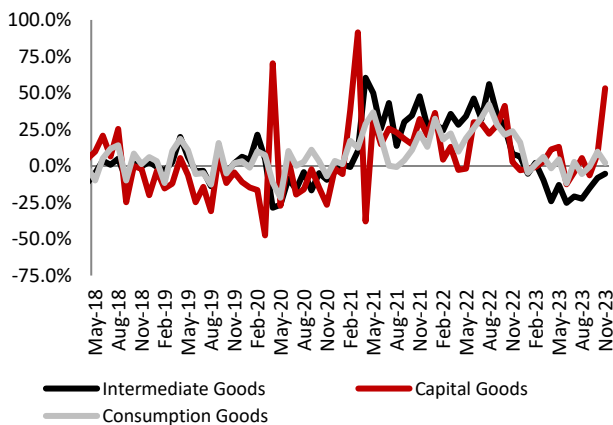
Source: Macrobond, MIDFR

**Chart 8: Trade Balance for Selected Products (RM b)**



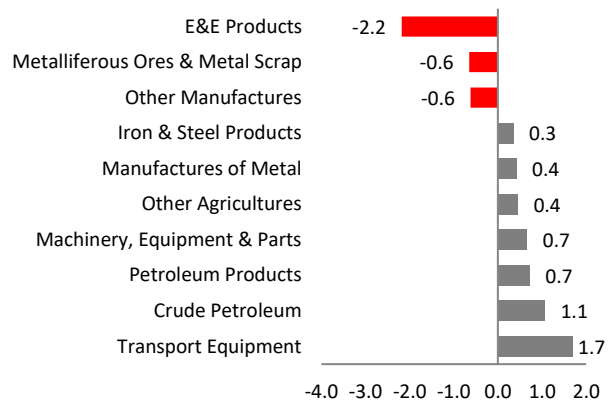
Source: Macrobond, MIDFR

**Chart 9: Imports of Goods by End Use (YoY%)**



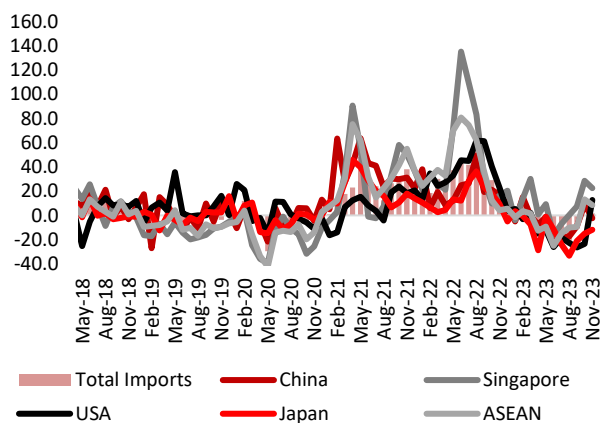
Source: Macrobond, MIDFR

**Chart 10: Contribution to Total Imports Growth in Nov-23 by Key Products (%-points)**



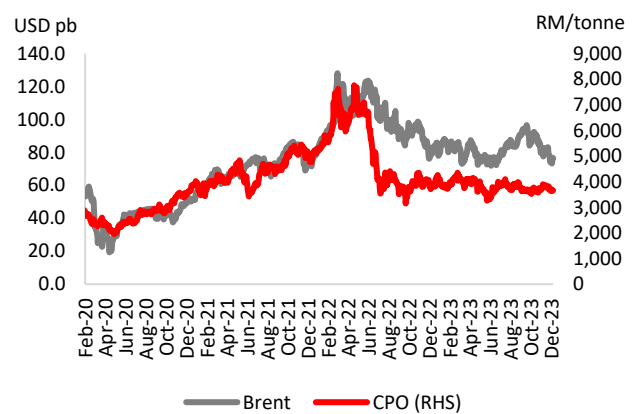
Source: Bloomberg, MIDFR

**Chart 11: Imports Growth by Major Source (YoY%)**



Source: Macrobond, MIDFR

**Chart 12: Brent Crude Oil and CPO Prices**



Source: Macrobond, MIDFR

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