

ECONOMIC REVIEW | April 2024 External Trade

Exports Rebounded to Growth in Apr-24 Driven by Non-E&E Products

- Exports rebounded to +9.1%yoy in Apr-24. Malaysia's exports rebounded and grew at +9.1%yoy driven by stronger domestic exports (+14.5%yoy), particularly non-E&E products.
- Increased exports to major markets, including China and USA. By destination, Malaysia's exports to major markets including China, the US, EU and even ASEAN recorded growth during the month. Exports to China recorded the first growth in 9 months.
- Despite the rebound in E&E exports, the source of growth was mainly from non-E&E products. The stronger growth in Apr-24 was underpinned by the stronger demand for non-E&E products such as machinery, equipment & parts; chemicals & chemical products; palm oil & palm oil products; crude petroleum; and iron & steel products.
- Maintain forecast exports and imports to recover this year. We maintain our projection that Malaysia's goods exports and imports will recover and grow at +5.2% and +4.4%, respectively, this year. We are still cautious about risks from the ongoing geopolitical and trade tensions and potentially weaker final demand.

Exports rebounded to +9.1%yoy in Apr-24. Malaysia's total trade increased faster at +12.1%yoy in Apr-24, due to both higher imports and exports. Exports rebounded and grew at +9.1%yoy, ending 2 months of contraction. The trade surplus, however, shrank to a post-pandemic low since recovering from the deficit in Apr-20 during the global pandemic slowdown. The smaller surplus was mainly due to a relatively sharper fall in exports at -10.8%mom vis-à-vis -7.6%yoy contraction in imports. From a year-on-year perspective, albeit weaker than market consensus, thanks to the lower base exports growth in Apr-24 was better than our estimate driven by stronger domestic exports (+14.5%yoy), more than offset the continued fall in re-exports (-8.3%yoy). By major products, higher shipments of non-E&E products (such as machinery, equipment & parts; chemicals & chemical products; palm oil; crude petroleum; and natural gas) contributed to the stronger export performance. On another note, imports rose faster than expected at +15.6%yoy in Apr-24 (Apr-24: +12.5%yoy), among others higher purchases of E&E, crude petroleum and machinery, equipment & parts. We view the stronger external trade in Apr-24 in line with regional trends and we foresee a further pick-up in external demand will support the economy to grow stronger this year.

Table 1: Malaysia's External Trade Summary

	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24	Apr-24
Exports (RM b)	126.1	121.7	118.4	122.4	111.4	128.6	114.7
% YoY	(4.5)	(6.1)	(10.1)	8.7	(0.8)	(0.9)	9.1
% MoM	1.4	(3.5)	(2.8)	3.4	(9.0)	15.5	(10.8)
Imports (RM b)	113.2	109.5	106.6	112.2	100.1	115.8	107.0
% YoY	(0.3)	1.5	2.9	18.7	8.0	12.5	15.6
% MoM	13.3	(3.3)	(2.6)	5.3	(10.8)	15.7	(7.6)
Total Trade (RM b)	239.3	231.2	225.0	234.6	211.5	244.4	221.7
% YoY	(2.5)	(2.7)	(4.3)	13.3	3.2	5.1	12.1
% MoM	6.7	(3.4)	(2.7)	4.3	(9.9)	15.6	(9.3)
Trade Balance (RM b)	12.9	12.2	11.7	10.2	11.2	12.7	7.7

	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24	Apr-24
Import Components							
Intermediate (RMb)	55.7	56.0	60.0	58.8	55.5	59.3	59.2
% YoY	(8.1)	(5.6)	10.2	21.3	13.7	10.6	30.5
Capital (RM b)	12.7	14.8	12.3	13.7	10.2	16.2	11.1
% YoY	8.6	51.3	23.7	41.5	30.0	66.3	9.7
Consumption (RM b)	9.4	9.7	9.2	10.3	8.4	9.4	9.8
% YoY	9.9	2.4	(0.7)	25.3	19.6	1.2	19.5

Note: MoM is non-seasonally adjusted figure

Source: Macrobond, MIDFR

Increased exports to major markets, including China and USA. By destination, Malaysia's exports to major markets including China, the US, EU and even ASEAN recorded growth during the month. Exports to China (share: 12.3% of total exports) grew for the first time in 9 months, underpinned by shipments of paper & pulp products; chemicals & chemical products; and manufactures of steel. Exports to the US increased robustly by +17.3%yoy supported by higher exports of manufactured goods including optical & scientific equipment; machinery, equipment & parts; iron & steel; and E&E products. Meanwhile, exports to the EU countries rebounded to +11.3%yoy, particularly driven by higher exports of petroleum products and machinery, equipment & parts. Shipments to ASEAN also rebounded to +11.1%yoy, backed by demand for manufactured goods such as machinery, equipment & parts, and chemicals & chemical products. In contrast, lower exports of E&E and crude petroleum contributed to the weak exports to Japan, which fell further by -4.3%yoy. Similarly, exports to Australia fell for the second month at -20.4%yoy. We opine the recovery in exports to major markets signalled a broad-based and general pick-up in international trade activity in Apr-24. We expect growing exports to major markets like the US, China and ASEAN will support the overall external trade recovery this year.

Table 2: Malaysia's Exports (YoY%)

	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24	Apr-24
Total Exports (RMb)	126.1	121.7	118.4	122.4	111.4	128.6	114.7
Re-exports (RMb)	29.8	26.2	21.2	27.7	19.8	24.4	22.9
Domestic Exports (RMb)	96.3	95.5	97.2	94.7	91.5	104.1	91.8
Exports by Key Country / Region							
China	(7.0)	(8.4)	(1.5)	(7.4)	(0.4)	(2.1)	2.1
USA	4.0	(8.5)	(5.1)	11.9	10.1	3.0	17.3
Japan	(23.4)	(18.3)	(4.7)	2.8	5.7	(5.4)	(4.3)
India	4.6	(19.7)	(21.5)	18.7	26.7	15.0	10.5
Hong Kong	5.9	(14.4)	(9.1)	(7.9)	(29.2)	(5.7)	9.0
Australia	(8.1)	6.5	(11.5)	34.6	16.6	(25.2)	(20.4)
EU	0.7	(6.9)	(25.5)	6.4	(1.8)	(10.3)	11.3
ASEAN	(5.7)	(5.8)	(12.6)	9.4	(5.1)	(0.8)	11.1
Singapore	(8.2)	(17.0)	(24.8)	(2.7)	(15.3)	(6.9)	9.0
Thailand	(21.3)	(0.5)	(11.6)	(12.6)	(19.3)	(3.3)	13.6
Indonesia	(10.1)	4.9	10.7	60.6	10.7	(3.3)	(13.4)
Vietnam	11.6	40.4	(2.7)	53.7	51.9	45.9	15.8
Philippines	20.4	(1.8)	10.8	24.3	(3.2)	(13.5)	48.2

Source: Macrobond, MIDFR

Despite rebound in E&E exports, source of growth mainly from non-E&E products. The stronger growth in Apr-24 was underpinned by the stronger demand for non-E&E products. More than two-thirds of the

growth was contributed by higher shipments of other manufactures (+55.2%yoy); machinery, equipment & parts; chemicals & chemical products; palm oil & palm oil-based products; crude petroleum; and iron & steel products. In particular, the strong rise in palm oil exports mainly led to the robust growth in agriculture exports, which rose by +13.8%yoy. Exports of the mining sector were also encouraging at +27.5%yoy, primarily anchored by the strong exports of crude petroleum (+64.8%yoy) and LNG (+12.7%yoy). On the other hand, manufacturing exports only rose at +7.1%yoy as the strong demand for machinery, chemicals, iron & steel and other manufactured goods was partly offset by the sharp fall in exports of petroleum products (-18.6%yoy). While the commodity sectors will ride on the growing demand for resource-based materials on the back of sustained growth in the global economy, we foresee the E&E exports will gradually improve in the coming months in line with the improvement in the global semiconductor sales and the turnaround in the global E&E market. In addition, manufacturing exports will also benefit from the recovery in global production as firms restock and rebuild their inventories.

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

	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24	Apr-24
E&E	(2.4)	(13.7)	(12.1)	(6.5)	(9.7)	(1.7)	0.6
Machinery, Equipment & Parts	6.6	10.3	(0.7)	35.5	22.1	12.0	35.7
Optical & Scientific Equipment	1.2	(12.7)	(8.5)	22.4	3.7	(1.7)	12.7
Palm oil & palm oil-based products	(5.6)	(7.0)	(26.6)	16.6	(5.9)	(20.3)	13.3
Crude Petroleum	(22.3)	15.6	35.1	17.7	36.9	(7.3)	64.8
Petroleum Products	(28.1)	0.4	(28.5)	16.7	(14.0)	(3.3)	(18.6)
LNG	(34.9)	(14.8)	(0.1)	(9.3)	16.5	8.4	12.7
Rubber products	(5.2)	4.6	1.4	16.1	8.2	(0.0)	30.2
Transport equipment	24.9	(42.3)	(39.3)	23.0	6.0	37.4	25.6

Source: Macrobond, MIDFR

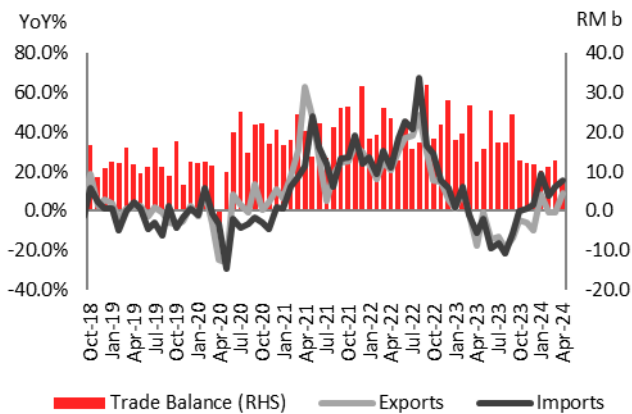
Intermediate and consumer goods pushed import growth to +15.6%yoy. Imports also performed better in Apr-24, growing faster at +15.6%yoy (Mar-24: +12.5%yoy), underpinned by stronger rise in imports of intermediate goods (+30.5%yoy) and consumer goods (+19.5%yoy). Capital goods imports, however, slowed sharply to +9.7%yoy (Mar-24: +66.3%yoy), a more normalised growth compared to the average growth of +42.6%yoy in the previous 5 months. By sector breakdown, although the growth in manufacturing imports was relatively slower at +12.6%yoy, higher imports of E&E products (+21.3%yoy) and machinery, equipment & parts (+46.9%yoy) contributed approximately 60.6% of the increase in Apr-24 imports. Mining imports were more robust, growing at +31.7%yoy mainly due to imports of crude petroleum (+44.9%yoy). Meanwhile, the agriculture sector's imports grew by +19.7%yoy in Apr-24, attributable to robust imports of other agriculture goods (+24%yoy) and natural rubber (+46.4%yoy). We believe imports will continue to grow in line with the growing domestic economic activities, backed by higher business and consumer spending.

Price increases also contributed to the recent pick-up. The latest data as of Mar-24 continued to suggest the recent pick-up in trade was also linked to higher export and import prices. While export declines in Feb-24 and Mar-24 were explained by the declines in volume by -4.9%yoy and -5.6%yoy respectively, export prices continued to increase for the 4th straight month by +5.1%yoy in Mar-24. Similarly, import prices have been rising in the 3 months to Mar-24 at average inflation of +0.7%yoy a month. Nevertheless, the larger component affecting imports was the change in import volume, which rose for the 6th consecutive month by +11.8%yoy in Mar-24. For the year 2024, we expect volume growth will remain the main driver for a turnaround in external trade against the weak performance last year.

The smallest trade surplus in the post-pandemic period. Looking at the change in trade balance by sector, trade surplus shrank to a new post-pandemic low of +RM7.7b in Apr-24 due to the larger deficits in trade of machinery, equipment & parts (-RM4.3b) and transport equipment (-RM2.9b). The lower surplus was also attributable to reduced surpluses for trades of LNG, other manufactures, and optical & scientific equipment. Nevertheless, trade surpluses of E&E (+RM11.4b), palm oil & palm oil-based products (+RM7.9b) and LNG (+RM3.7b) remained the major and stable contributors to the monthly trade surplus. We project the improvement in the goods trade balance will also support the ratio of current account balance to jump back to more than +4% of GDP this year (2023: +1.5%).

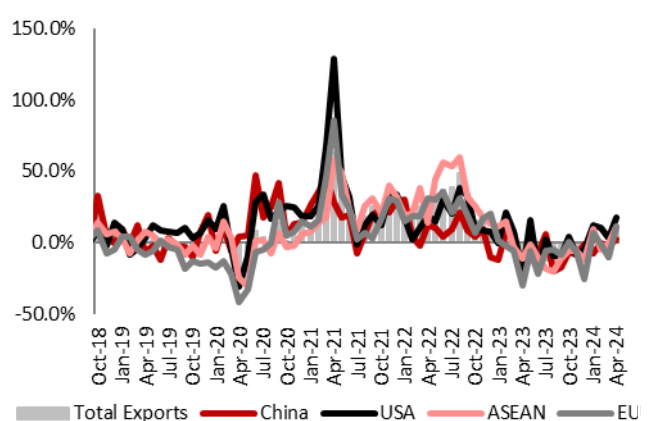
Maintain forecast exports and imports to recover this year. We maintain our projection that Malaysia's goods exports and imports will recover this year and grow at +5.2% (2023: -8.0%) and +4.4% (2023: -6.4%), respectively. We expect the turnaround in global E&E trade and the broad improvement in external demand from major markets to support export recovery this year. Meanwhile, the pick-up in investment activities and businesses stocking up on materials in anticipation of growing demand also helped to support imports to recover this year. Nevertheless, we remain cautious that the ongoing geopolitical conflicts and trade tensions could negatively derail the trade outlook. At the same time, we are closely monitoring the health of final demand which could be constrained by the high interest rates, which are being kept for an extended period, and the possible weaker growth prospects in China. 🇲🇾

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



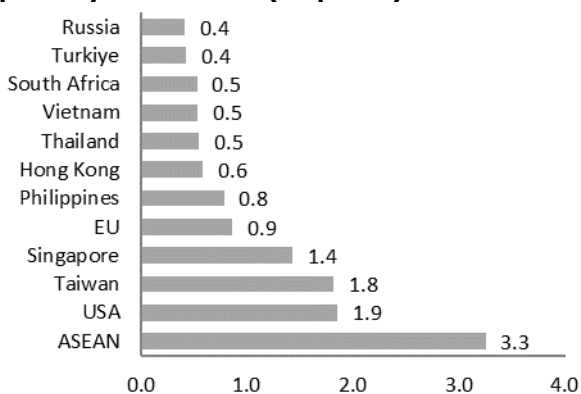
Source: Macrobond, MIDFR

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



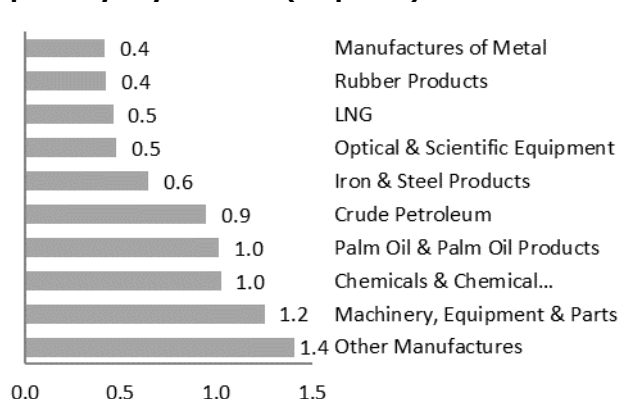
Source: Macrobond, MIDFR

Chart 3: Contribution to Total Exports Growth in Apr-24 by Destinations (%-points)



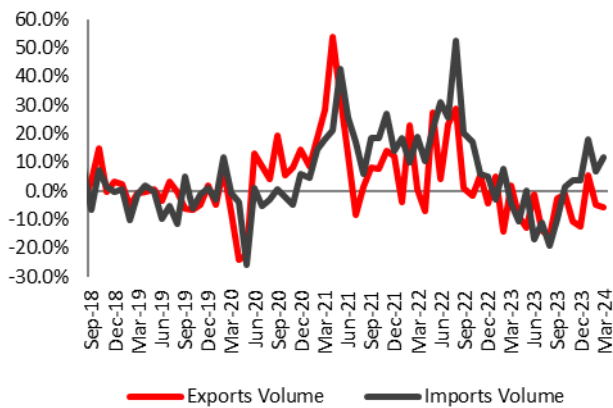
Source: Macrobond, MIDFR

Chart 4: Contribution to Total Exports Growth in Apr-24 by Key Products (%-points)



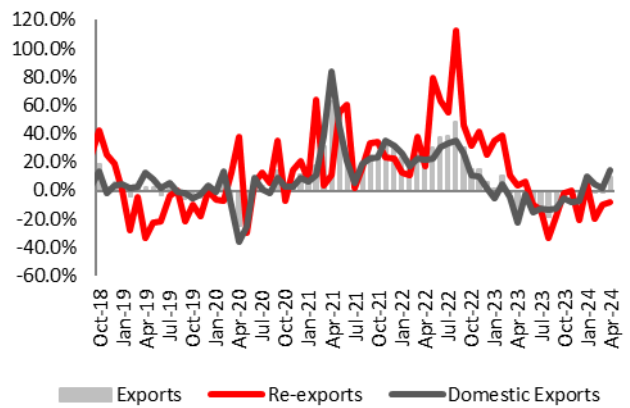
Source: Macrobond, MIDFR

Chart 5: Exports vs Imports Volume (YoY%)



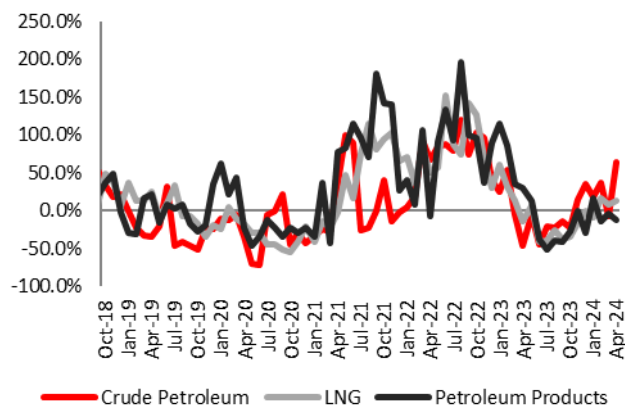
Note: Latest available data as of Mar-24
Source: Macrobond, MIDFR

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



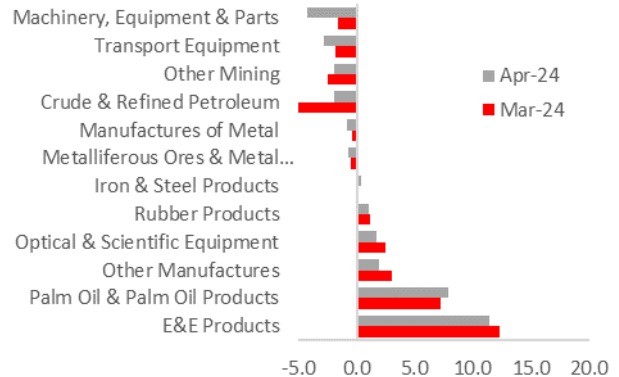
Source: Macrobond, MIDFR

Chart 7: Exports of Mining Goods (YoY%)



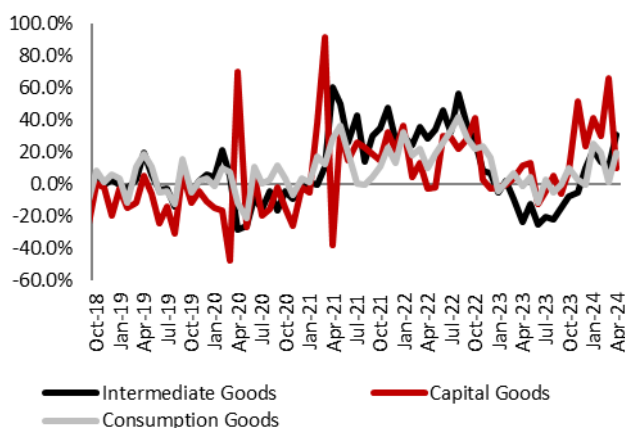
Source: Macrobond, MIDFR

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



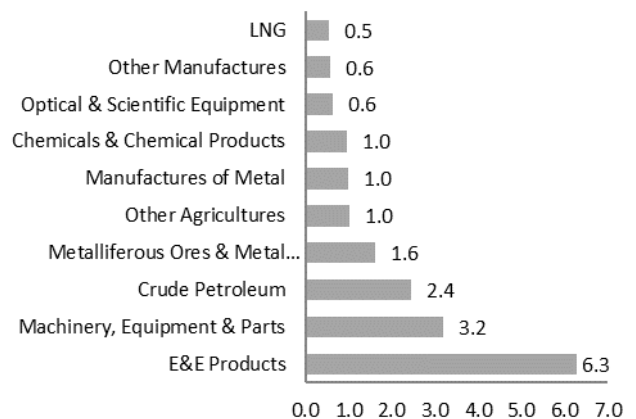
Source: Macrobond, MIDFR

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



Source: Macrobond, MIDFR

Chart 10: Contribution to Total Imports Growth in Apr-24 by Key Products (%-points)



Source: Macrobond, MIDFR

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