

ECONOMIC REVIEW | July 2024 External Trade

Exports Surged +12.3%yoy in Jul-24 but Robust Imports Resulted in Smaller Trade Surplus

- Exports grew stronger than expected at +12.3%yoy in Jul-24. Export growth accelerated to +12.3%yoy in Jul-24, driven by stronger domestic exports, particularly higher shipments of palm oil & palm oil products, E&E and petroleum products.
- Increased exports to most major markets except China and Hong Kong. By destination, Malaysia's exports to major trading partners increased and rebounded in Jul-24, with the exception to China and Hong Kong. Shipments to the US rose faster at +30.9%yoy driven by higher exports of E&E products.
- Imports jumped +25.4%yoy to new high. Monthly imports reached a new high of RM124.7b in Jul-24, translating into stronger annual growth of +25.4%yoy (Jun-24: +17.8%yoy). While more than 90% of the growth in Jul-24 was attributable to higher purchases of manufactured goods, mainly E&E products and machinery, equipment & parts.
- No change to 2024 forecast for trade of goods. We continue to expect Malaysia's goods exports and imports will recover and grow at +5.2% (2023: -8.0%) and +11.2% (2023: -6.4%), respectively, this year. The pick-up in external demand for manufactured goods exports, including E&E components, and other commodities, such as palm oil and natural gas, will support exports to rebound this year.

Exports grew stronger than expected at +12.3%yoy in Jul-24. Malaysia's total trade rose by +18.3%yoy, extending expansion since Jan-24. While the annual growth reflected both higher exports and imports, the trade balance however recorded smaller surplus of +RM6.4b (Jun-24: +RM14.3b) mainly due to the sharper monthly rise in imports. Export growth accelerated to +12.3%yoy in Jul-24, marking the fastest growth in more than 1.5 years, driven by stronger domestic exports (+18%yoy) which continued to cushion the drag from falling re-exports (-5.8%yoy). The growth in Jul-24 exceeded ours and market expectations, particularly supported by higher shipments of palm oil & palm oil products as well as rebounds in exports of E&E and petroleum products. Meanwhile, the faster growth in imports by +25.4%yoy in Jul-24 (Jun-24: +17.8%yoy) was due to higher purchases of manufactured goods, mainly E&E products and machinery, equipment & parts. We believe the export recovery to continue in 2HCY24, driven by foreign demand for both E&E and non-E&E products. The external trade recovery will support our projection that Malaysia's economy will grow stronger this year, in addition to sustained growth in the domestic spending activities.

Table 1: Malaysia's External Trade Summary

	Jan-24	Feb-24	Mar-24	Apr-24	May-24	Jun-24	Jul-24
Exports (RM b)	122.4	111.4	128.6	114.7	128.0	126.0	131.1
% YoY	8.6	(1.2)	(0.9)	9.1	7.1	1.7	12.3
% MoM	3.3	(9.0)	15.5	(10.8)	11.6	(1.6)	4.1
Imports (RM b)	112.2	100.1	115.8	107.0	118.1	111.7	124.7
% YoY	18.8	8.0	10.9	14.0	13.4	17.8	25.4
% MoM	5.3	(10.8)	15.7	(7.7)	10.4	(5.4)	11.6
Total Trade (RM b)	234.6	211.5	244.4	221.6	246.1	237.8	255.9
% YoY	13.3	3.0	4.4	11.4	10.1	8.7	18.3
% MoM	4.3	(9.9)	15.6	(9.3)	11.0	(3.4)	7.6
Trade Balance (RM b)	10.2	11.2	12.7	7.7	10.0	14.3	6.4

	Jan-24	Feb-24	Mar-24	Apr-24	May-24	Jun-24	Jul-24
Import Components							
Intermediate (RMb)	58.8	55.5	59.3	59.2	68.1	60.8	69.1
% YoY	21.3	13.7	7.6	27.0	23.4	37.1	41.2
Capital (RM b)	13.7	10.2	16.2	11.0	13.9	12.0	15.1
% YoY	41.5	29.9	66.3	8.6	40.3	23.6	44.4
Consumption (RM b)	10.3	8.4	9.4	9.8	10.2	9.3	11.0
% YoY	25.3	19.6	1.0	19.5	14.8	13.6	25.5

Note: MoM is non-seasonally adjusted figure

Source: Macrobond, MIDFR

Increased exports to most major markets except China and Hong Kong. By destination, Malaysia's exports to major trading partners increased and rebounded in Jul-24, with the exception to China and Hong Kong. Shipments to the US rose faster at +30.9%yoy, expanding for the 7th straight month and the fastest pace since Sep-22, driven by higher exports of manufactured goods (+28.9%yoy), particularly E&E products (+21.2%yoy). Meanwhile, exports to Japan rebounded to +11.6%yoy (Jun-24: -18.6%yoy), supported by demand for LNG, processed foods and crude petroleum. Malaysia's exports to India also rose faster at +17.3%yoy (Jun-24: +10%yoy), mainly increased shipments of E&E products, crude petroleum and palm oil-based manufactured products. Exports to EU rebounded to +14.2%yoy, underpinned by higher demand for palm oil & palm oil-based products (+42.5%yoy) and manufactures of metal (+37.6%yoy). Exports to ASEAN countries rose by 16%yoy, the fastest growth since Nov-22, supported by higher exports of manufactured goods (+15.2%yoy), notably petroleum products (+60.1%yoy). In contrast, exports to China fell sharper at -11.4%yoy, primarily explained by reduced shipments of E&E products (-18.1%yoy) and petroleum products (-91.9%yoy). Similarly, exports to Hong Kong fell sharper at -10%yoy, weighed down by lower exports of E&E products. We remain cautious that weak growth and therefore demand from China will be the source of concern for a more solid export recovery. Nevertheless, we foresee exports will continue to improve supported by growing demand from other major markets, such as ASEAN and the USA.

Table 2: Malaysia's Exports (YoY%)

	Jan-24	Feb-24	Mar-24	Apr-24	May-24	Jun-24	Jul-24
Total Exports (RMb)	122.4	111.4	128.6	114.7	128.0	126.0	131.1
Re-exports (RMb)	27.7	19.8	24.4	23.0	22.2	25.6	26.1
Domestic Exports (RMb)	94.7	91.5	104.1	91.7	105.8	100.4	105.0
Exports by Key Country / Region							
China	(7.4)	(0.4)	(2.1)	2.1	1.6	(2.1)	(11.4)
USA	11.9	10.1	3.0	17.3	17.4	14.0	30.9
Japan	2.8	5.7	(5.4)	(4.3)	0.4	(18.6)	11.6
India	18.7	26.7	15.0	7.4	26.4	10.0	17.3
Hong Kong	(7.9)	(29.2)	(5.7)	9.0	(7.5)	(2.3)	(10.0)
Australia	34.6	16.6	(25.2)	(20.4)	(14.8)	(0.9)	2.5
EU	6.4	(1.8)	10.0	11.3	6.9	(4.4)	14.2
ASEAN	(6.4)	(5.1)	(0.9)	11.3	10.3	2.1	16.0
Singapore	(2.7)	(15.3)	(6.9)	9.0	13.6	(3.1)	18.1
Thailand	(12.6)	(19.3)	(3.3)	13.6	(11.3)	28.9	10.0
Indonesia	60.6	10.7	(3.3)	(11.4)	2.6	(6.9)	9.3
Vietnam	53.7	51.9	45.9	15.8	17.6	15.1	13.8
Philippines	24.3	(3.2)	(13.5)	48.2	36.1	(9.0)	39.5

Source: Macrobond, MIDFR

Surge in palm oil exports and rebound in E&E exports. Export growth in Jul-24 was supported by surge in exports of palm oil & palm oil products (+34.5%yoy) and machinery, equipment & parts (+39.5%yoy). We learned that foreign firms have increased purchases of palm oil to rebuild stockpile ahead of future festivals and also driven by the larger discounts against soybean oil. Apart from markets like India and Netherlands, more noticeable growth in palm oil exports was recorded for countries like Turkiye, Kenya, China, Nigeria and Iran. Meanwhile, E&E exports rebounded to +2.6%yoy (Jun-24: -1.6%yoy), where higher exports of various products such as automatic data processing equipment (+76.5%yoy), other telecommunication equipment (+25.4%yoy), office machines (+72%yoy) and other electronic machines (+16.3%yoy) more than offset the decline in semiconductor exports (-10.6%yoy). Exports of refined petroleum products also rebounded to +15.6%yoy in Jul-24, the first growth in 5 months, thanks partly to the lower base effect. More encouraging exports of transport equipment (+6.1%yoy), which rebounded a steep -24.7%yoy drop in Jun-24, and rubber products (+40.4%yoy; Jun-24: +18.8%yoy) also contributed to the higher manufacturing exports. The mining exports, however, grew slower at +10.2%yoy (Jun-24: +15.2%yoy), backed by sustained but moderate expansion in LNG shipments and dragged down by lower crude petroleum exports. We expect growing external demand will be the major factor affecting exports of primary commodities, particularly palm oil, LNG and petroleum. On the other hand, we expect continued recovery in E&E trade will further support growth in manufacturing exports, in addition to increased demand for other manufactured products.

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

	Jan-24	Feb-24	Mar-24	Apr-24	May-24	Jun-24	Jul-24
E&E	(6.5)	(9.7)	(1.7)	0.6	7.6	(1.6)	2.6
Machinery, Equipment & Parts	35.5	22.1	12.0	34.9	11.6	24.6	39.5
Optical & Scientific Equipment	22.4	3.7	(1.7)	12.7	22.4	7.0	2.7
Palm oil & palm oil-based products	16.6	(5.8)	(20.2)	13.4	22.5	6.3	34.5
Crude Petroleum	17.7	36.9	(7.3)	64.9	(5.7)	15.7	(7.2)
Petroleum Products	16.7	(24.2)	(9.3)	(26.5)	(19.4)	(0.8)	15.6
LNG	(9.3)	16.5	8.4	12.7	(21.2)	23.4	18.0
Rubber products	16.1	8.2	(0.0)	30.2	18.5	18.8	40.4
Transport equipment	23.0	6.0	37.4	33.4	3.1	(24.7)	6.1

Source: Macrobond, MIDFR

Imports jumped +25.4%yoy to new high. Monthly imports reached a new high of RM124.7b in Jul-24, translating into stronger annual growth of +25.4%yoy (Jun-24: +17.8%yoy). While more than 90% of the growth was attributable to higher purchases of manufactured goods, where imports of E&E products (+52.7%yoy) and machinery, equipment & parts (+52.4%yoy) both accounted 75% of the overall import growth in Jul-24. The strong E&E imports was also in line with increased capital goods imports, which include purchases of equipment for the setting up of data centres. Agriculture goods imports also increased robustly at +31.9%yoy, mainly underpinned by higher purchases of foreign-made other agricultural products (+51.3%yoy) and natural rubber (+39.7%yoy). Imports of mining goods, however, fell -1.5%yoy in Jul-24 as lower imports of other mining goods (-25.6%yoy) and crude petroleum (-1.6%yoy) more than offset the increased imports of LNG (+68.8%yoy). We learned that local companies have also began to restock raw materials and inputs which led to the strong import growth in move to limit disruptions from supply chain instability. Overall, we expect imports will grow further in the coming months, in line with the more encouraging domestic economic outlook.

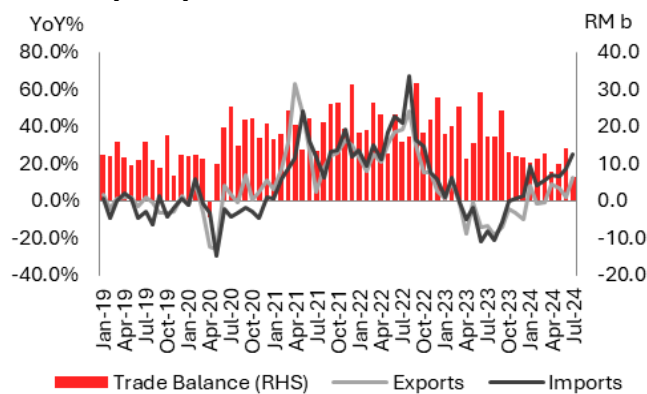
Rising prices also helped to push exports and imports higher. Based on the latest available data until Jun-24, price increases for both exports and imports contributed to the external trade recovery. Export prices rose faster at +6.6%yoy, which countered the -4.6%yoy decline in exports volume in Jun-24. Meanwhile, imports were more influenced by volume change; with imports volume rising more significant at +12.2%yoy in Jun-24. Import prices, on the other hand, eased to +1.2%yoy, with declines in import prices seen across various products such as chemicals, inedible crude materials and manufactured goods. While we expect volume growth

to support external trade recovery, we also expect relatively elevated commodity prices to also support Malaysia's external trade performance this year.

Monthly trade surplus shrank to post-pandemic low. The level of monthly trade surplus fell by -55.1%mom to +RM6.4b, the lowest level in the post-pandemic period. The smaller surplus was due to the robust imports which rebounded by +11.6%mom (Jun-24: -5.4%mom), stronger than +4.1%mom growth in exports. Looking at the breakdown of trade by major products, the lower surplus mainly reflected reduced trade surplus in trade of manufactured goods, particularly weighed down by -50.1%mom decline in the E&E trade surplus to +RM8.6b and wider deficit in trade of machinery, equipment & parts. On the other hand, trade of crude petroleum recorded smaller deficit of -RM2.9b (Jun-24: -RM4.1b) as a result of reduced imports of crude oil, while the surplus in trade of palm oil & palm oil-based products increased to +RM9.4b (Jun-24: +RM7.1b), largely due to the strong palm oil exports in Jul-24.

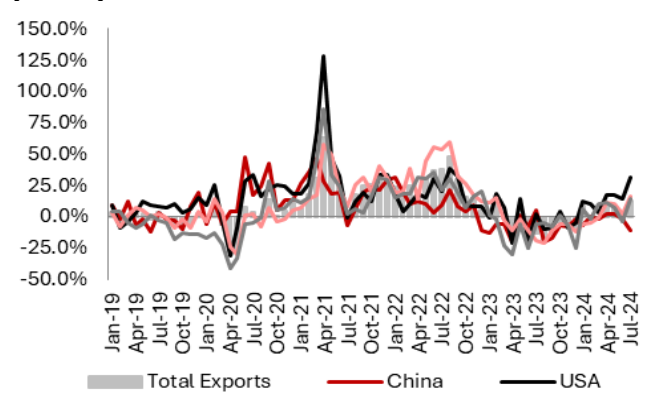
No change to 2024 forecast for trade of goods. We continue to expect Malaysia's goods exports and imports will recover and grow at +5.2% (2023: -8.0%) and +11.2% (2023: -6.4%), respectively, this year. The pick-up in external demand for manufactured goods exports, including E&E components, and other commodities, such as palm oil and natural gas, will support exports to rebound this year. Meanwhile, the relatively more robust import growth will be supported by companies increasing purchases of raw materials to fulfil growing demand and restocking activities to minimize risk of supply chain disruptions. On that note, we are also concerned that trade outlook may be constrained the escalation in geopolitical tensions, which could adversely affect global trade flows and supply chain activities, and risk of weaker demand from major markets, following concerns over slower growth outlook in China and the USA. 📈

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



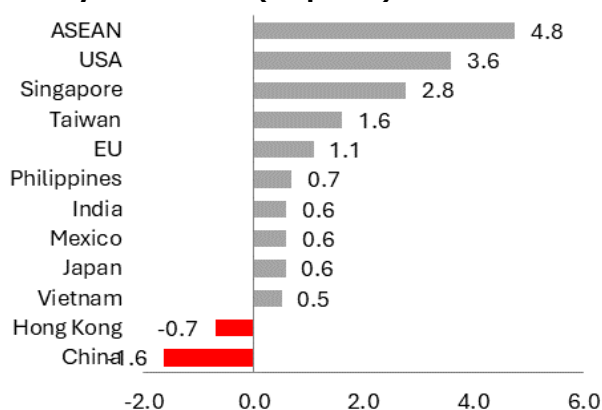
Source: Macrobond, MIDFR

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



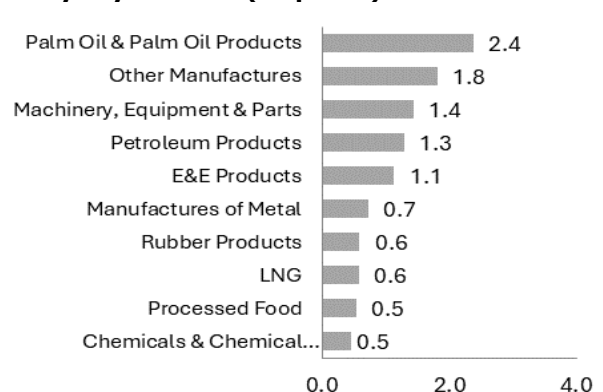
Source: Macrobond, MIDFR

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



Source: Macrobond, MATRADE, MIDFR

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



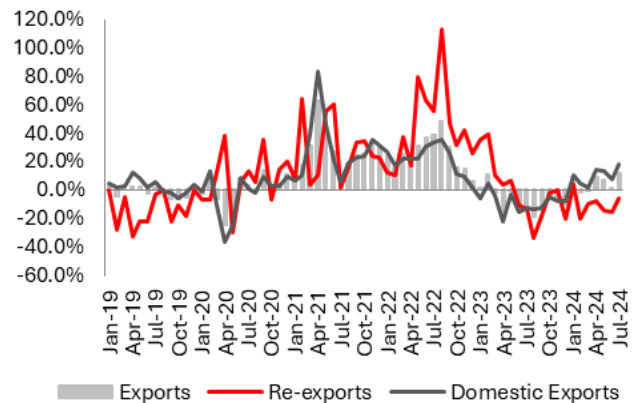
Source: Macrobond, MATRADE, MIDFR

Chart 5: Exports vs Imports Volume (YoY%)



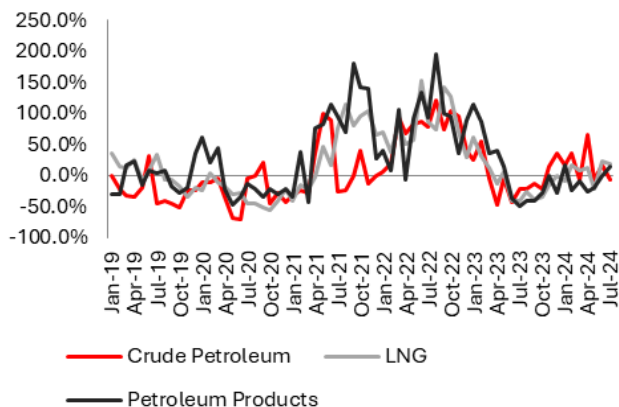
Note: Latest available data as of Jun-24
Source: Macrobond, DOSM, MIDFR

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



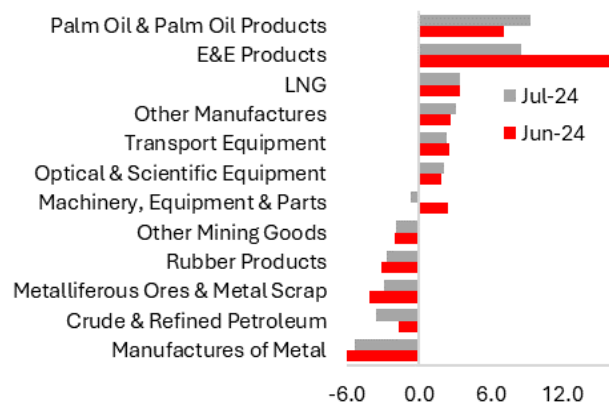
Source: Macrobond, MIDFR

Chart 7: Exports of Mining Goods (YoY%)



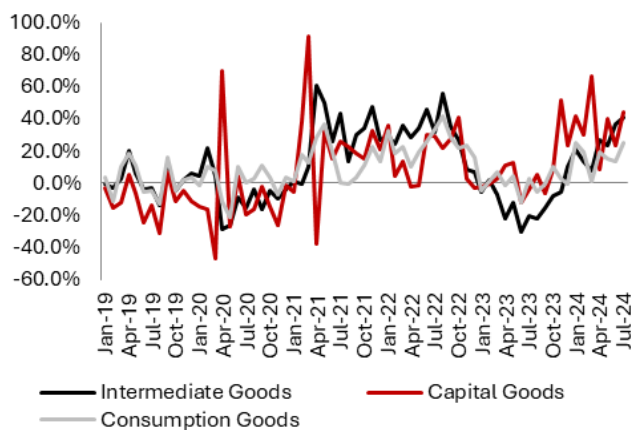
Source: Macrobond, MIDFR

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



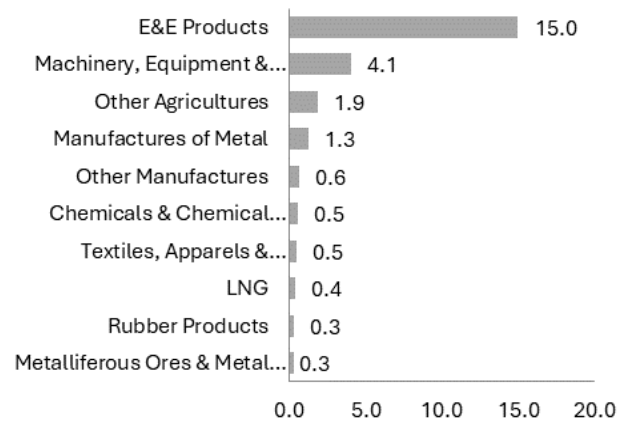
Source: Macrobond, MATRADE, MIDFR

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



Source: Macrobond, MIDFR

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



Source: Macrobond, MIDFR

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