

ECONOMIC REVIEW | August 2024 External Trade

Sustained Double-Digit Export Growth But Trade Surplus Shrank in Aug-24 Amid Robust Imports

- Another month of double-digit export growth. Malaysia's export growth was sustained at +12.1%yoy in Aug-24, mainly supported by surge in E&E exports and higher shipments of palm oil & palm oil products and machinery, equipment & parts.
- USA, Taiwan and Singapore were top 3 export markets. Exports to the top 3 markets, namely the US, Taiwan and Singapore, accounted 75.5% (contribution: +9.2ppt) of overall Aug-24 export growth. This was driven mainly by increased shipments of E&E products.
- Import growth accelerated to +26.2%yoy. Import growth was stronger at +26.2%yoy in Aug-24 (Jul-24: +25.4%yoy), with imports for all major categories i.e. intermediate, capital and consumption goods increasing at double-digit pace.
- Keeping 2024 forecast for now, with potential upside. We maintain our projection that Malaysia's goods exports and imports will recover and rebound to +5.2% (2023: -8.0%) and +11.2% (2023: -6.4%), respectively, this year. Given the stronger performance thus far, there is potential for upward revisions.

Another month of double-digit export growth. Malaysia's total trade grew faster at +18.6%yoy, sustaining expansion for 8 consecutive months. The trade surplus, however, shrank further to +RM5.7b (Jul-24: +RM6.4b) due to relatively sharper monthly decline in exports. From year-on-year perspective, Malaysia's export growth was sustained at +12.1%yoy in Aug-24, higher than our estimate. Domestic exports maintained a double-digit rise at +14.9%yoy (Jul-24: +18%yoy), while re-exports registered a smaller decline of -1.2%yoy (Jul-24: -6%yoy). The positive Aug-24 export growth was mainly supported by surge in E&E exports and higher shipments of palm oil & palm oil products and machinery, equipment & parts. Meanwhile, import growth continued to surpass exports, increasing faster at +26.2%yoy (Jul-24: +25.4%yoy) primarily due to higher purchases of E&E products and machinery, equipment & parts. We view the stronger E&E exports to be in line with regional trends and expect the continued rise in global E&E trade as well as increased demand for other commodities to continue support Malaysia's export recovery in the coming months.

Table 1: Malaysia's External Trade Summary

	Feb-24	Mar-24	Apr-24	May-24	Jun-24	Jul-24	Aug-24
Exports (RM b)	111.4	128.6	114.7	128.0	126.0	131.1	129.2
% YoY	(1.2)	(0.9)	9.1	7.1	1.7	12.3	12.1
% MoM	(9.0)	15.5	(10.8)	11.6	(1.6)	4.0	(1.5)
Imports (RM b)	100.1	115.8	107.0	118.1	111.7	124.7	123.5
% YoY	8.0	10.9	14.0	13.4	17.8	25.4	26.2
% MoM	(10.8)	15.7	(7.7)	10.4	(5.4)	11.6	(1.0)
Total Trade (RM b)	211.5	244.4	221.6	246.1	237.8	255.8	252.7
% YoY	3.0	4.4	11.4	10.1	8.7	18.3	18.6
% MoM	(9.9)	15.6	(9.3)	11.0	(3.4)	7.6	(1.2)
Trade Balance (RM b)	11.2	12.7	7.7	10.0	14.3	6.4	5.7
Import Components							
Intermediate (RMb)	55.5	59.3	59.2	68.1	60.8	69.2	72.3
% YoY	13.7	7.6	27.0	23.4	37.1	41.3	40.4

	Feb-24	Mar-24	Apr-24	May-24	Jun-24	Jul-24	Aug-24
Capital (RM b)	10.2	16.2	11.0	13.9	12.0	15.1	14.9
% YoY	29.9	66.3	8.6	40.3	23.6	44.3	39.6
Consumption (RM b)	8.4	9.4	9.8	10.2	9.3	11.0	10.3
% YoY	19.6	1.0	19.5	14.8	13.6	25.5	21.2

Note: MoM is non-seasonally adjusted figure

Source: Macrobond, MIDFR

USA, Taiwan and Singapore were top 3 export markets. Exports to the top 3 markets, namely the US, Taiwan and Singapore, accounted 75.5% (contribution: +9.2ppt) of overall Aug-24 export growth. This was driven mainly by increased shipments of E&E products. As a result, exports to the US accelerated to +45.4%yoy, the strongest growth since May-21. Apart from E&E, shipments to Singapore were also supported by crude & petroleum products. Despite concerns over slow growth in China, Malaysia's exports to the country rebounded to +4.8%yoy, from 2 months of contraction, underpinned by higher exports of E&E products, rubber products and manufactures of metal. However, outward shipments to Japan fell by -5.6%yoy weighed down by lower exports of E&E products and crude petroleum, more than offset the increase in LNG exports. By region, exports to EU continued to grow albeit slower at +8.6%yoy (Jul-24: +14.2%yoy), mainly driven by demand for manufactured goods such as processed palm oil products, rubber products, petroleum products and optical & scientific equipment. Malaysia's exports to ASEAN expanded by +8.2%yoy (Jul-24: +16%yoy), supported by exports of E&E; chemicals & chemical products; machinery, equipment & parts; and palm oil & palm oil products. Growing exports to China are a positive development for Malaysia; therefore, we opine that continued rise in external demand from major trading partners will drive Malaysia's export growth in the coming months.

Table 2: Malaysia's Exports (YoY%)

	Feb-24	Mar-24	Apr-24	May-24	Jun-24	Jul-24	Aug-24
Total Exports (RMb)	111.4	128.6	114.7	128.0	126.0	131.1	129.2
Re-exports (RMb)	19.8	24.4	23.0	22.2	25.6	26.1	22.8
Domestic Exports (RMb)	91.5	104.1	91.7	105.8	100.4	105.0	105.8
Exports by Key Country / Region							
China	(0.4)	(2.1)	2.1	1.6	(2.1)	(11.4)	4.8
USA	10.1	3.0	17.3	17.4	14.0	30.9	45.4
Japan	5.7	(5.4)	(4.3)	0.4	(18.6)	11.6	(5.6)
India	26.7	15.0	7.4	26.4	10.0	17.3	3.1
Hong Kong	(29.2)	(5.7)	9.0	(7.5)	(2.3)	(10.0)	11.7
Australia	16.6	(25.2)	(20.4)	(14.8)	(0.9)	2.5	10.1
EU	(1.8)	10.0	11.3	6.9	(4.4)	14.2	8.6
ASEAN	(5.1)	(0.9)	11.3	10.3	2.1	16.0	8.2
Singapore	(15.3)	(6.9)	9.0	13.6	(3.1)	18.2	12.4
Thailand	(19.3)	(3.3)	13.6	(11.3)	28.9	9.7	2.1
Indonesia	10.7	(3.3)	(11.4)	2.6	(6.9)	9.3	38.2
Vietnam	51.9	45.9	15.8	17.6	15.1	13.5	(11.7)
Philippines	(3.2)	(13.5)	48.2	36.1	(9.0)	39.5	(14.7)

Source: Macrobond, MIDFR

E&E was the main contributor to export growth. E&E exports recorded a faster growth of +16.5%yoy in Aug-24 (Jul-24: +2.4%yoy) and due to the size, it was the main contributor to overall export growth. The surge in E&E exports alone added +6.2ppt or more than half of the +12.1%yoy expansion in Aug-24 exports. This was driven mainly by increased exports of semiconductors (+13.8%yoy), automatic data processing equipment (+40.8%yoy) and office machines (+96.7%yoy). Apart from E&E, the stronger exports of manufactured goods (+14.1%yoy) were also driven by higher demand for machinery, equipment & parts (+21.2%yoy), optical &

scientific equipment (+22.1%yoy), chemicals & chemical products (+13.7%yoy) and rubber products (+44.4%yoy). Palm oil exports also registered robust growth of +21%yoy in Aug-24 (Jul-24: 34.4%yoy), with strong growth in shipments to Kenya, Iran and Pakistan. The strong exports of palm oil & palm oil-based agricultural products were also the main source of growth for overall agriculture exports (+19.4%yoy; Jul-24: +32.8%yoy). Mining exports, in contrast, fell by -16.1%yoy due to lower exports of crude petroleum (-33%yoy) and LNG (-15.9%yoy).

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

	Feb-24	Mar-24	Apr-24	May-24	Jun-24	Jul-24	Aug-24
E&E	(9.7)	(1.7)	0.6	7.6	(1.6)	2.4	16.5
Machinery, Equipment & Parts	22.1	12.0	34.9	11.6	24.6	39.2	21.2
Optical & Scientific Equipment	3.7	(1.7)	12.7	22.4	7.0	5.3	22.1
Palm oil & palm oil-based products	(5.8)	(20.2)	13.4	22.5	6.3	34.4	21.0
Crude Petroleum	36.9	(7.3)	64.9	(5.7)	15.7	(7.3)	(33.0)
Petroleum Products	(24.2)	(9.3)	(26.5)	(19.4)	(0.8)	15.7	(11.2)
LNG	16.5	8.4	12.7	(21.2)	23.4	18.0	(15.9)
Rubber products	8.2	(0.0)	30.2	18.5	18.8	40.4	44.4
Transport equipment	6.0	37.4	33.4	3.1	(24.7)	6.6	11.5

Source: Macrobond, MIDFR

Import growth accelerated to +26.2%yoy. Import growth was stronger at +26.2%yoy in Aug-24 (Jul-24: +25.4%yoy), with imports for all major categories i.e. intermediate (+40.4%yoy), capital (+39.6%yoy) and consumption (21.2%yoy) goods increasing at double-digit pace. By product, the two-thirds (or +18.2ppt) of import growth in Aug-24 was contributed by increased purchases of E&E products; machinery, equipment & parts; and chemicals & chemical products. These were the products which supported sustained growth in manufacturing imports at +25.7%yoy (Jul-24: +28.1%yoy). Meanwhile, agricultural goods imports jumped to +40.5%yoy (Jul-24: +31.9%yoy), tracking the stronger imports of other agricultures (+66%yoy) and natural rubber (+63.5%yoy). Meanwhile, mining goods imports rebounded to +21.1%yoy (Jul-24: -1.5%yoy), with stronger imports of LNG (+138.6%yoy) and metalliferous ores & metal scrap (+55.1%yoy). The robust import growth suggests domestic economic activities remained positive on the back of growing investment and consumption activities. Apart from increased purchases of inputs and raw materials to ensure supply stability, we maintain our expectations that imports will grow further amid a positive domestic economic outlook.

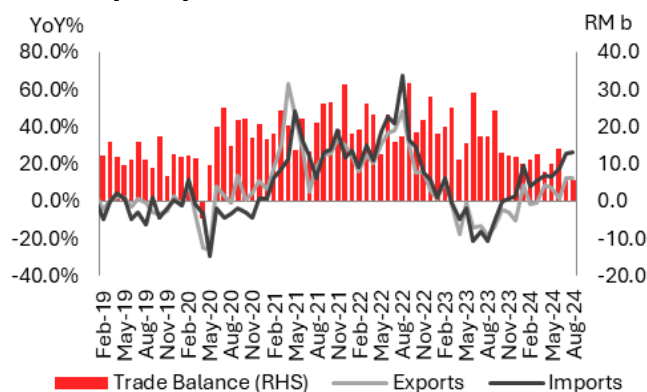
Price increase a large contributor to export growth. Based on the latest available data until Jul-24, inflation in both export and import prices also contributed to the recent external trade performance. However, we noticed a larger portion contributed to the export growth with export prices rising further at +6.1%yoy in Jul-24 (Jun-24: +6.6%yoy). In comparison, volume of exports rose relatively lower at +5.8%yoy, but rebounding from -4.6%yoy decline in Jun-24. Imports, on the other hand, were more influenced by volume growth which increased at 22.7%yoy in Jul-24 (Jun-24: +12.2%yoy). Import price inflation was also faster, but only rising by +2.2%yoy (Jun-24: +1.2%yoy) which reflected rising prices of mineral fuels, lubricants & related materials and oils & fats. Looking at the price and volume change, we expect elevated prices will also support Malaysia's external trade performance this year.

Smaller trade surplus, still post-pandemic low. The size of trade surplus declined further to +RM5.7b (Jul-24: +RM6.4b), making the Aug-24 the smallest trade surplus in the post-pandemic period. Trade of palm oil, E&E and LNG remained as the largest contributor to trade surplus in Aug-24. However, the size of surplus for all 3 export products was cumulatively smaller at +RM18.7b (Jul-24: +RM21.4b). Other larger drags to the trade balance were transport equipment and metalliferous ores & metal scrap as both segments recorded larger deficits of -RM3.6b (Jul-24: -RM2.8b) and -RM1.1bb (Jul-24: -RM0.6b), respectively. On the other hand, the size of deficit in trade of crude petroleum & petroleum products shrank to -RM0.7b (Jul-24: -RM2.8b). Similarly, the

deficit in the trade of machinery, equipment & parts was smaller at -RM3.8b (Jul-24: -RM5.8b). We foresee the trade balance will improve with the recovering exports; however, the relatively more robust exports have kept the size of surplus relatively low. The trend could continue given the robust expansion in domestic activities.

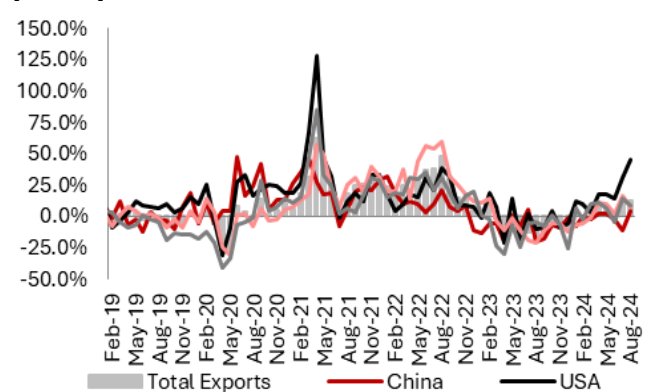
Keeping 2024 forecast for now, with potential upside. We maintain our projection that Malaysia's goods exports and imports will recover and rebound to +5.2% (2023: -8.0%) and +11.2% (2023: -6.4%), respectively, this year. Given the stronger performance thus far, there is potential for upward revisions. In particular, the recovery in the E&E sector seems to be picking up pace, alongside increased demand for other export commodities. Robust domestic economic activities have also resulted in continued strong growth in imports. Given the encouraging outlook for the domestic economy, this could be sustained in the coming months. Nevertheless, we remain cautious that Malaysia's external trade activity may be negatively impacted by the escalation in geopolitical conflicts and the risk of weak final demand from major markets, including concerns over slower growth outlooks in China and the USA. 🚩

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



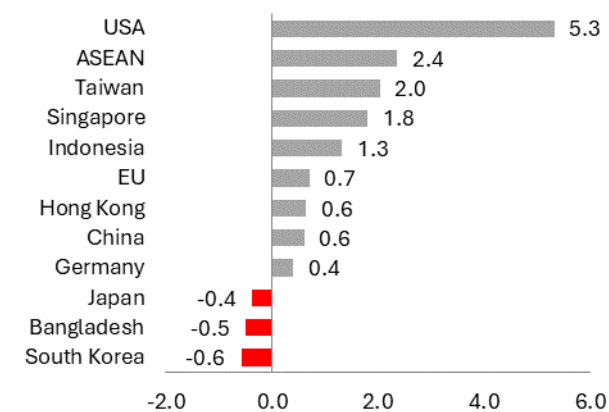
Source: Macrobond, MIDFR

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



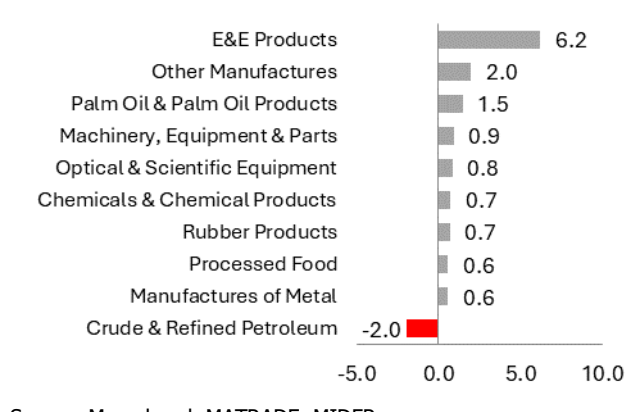
Source: Macrobond, MIDFR

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



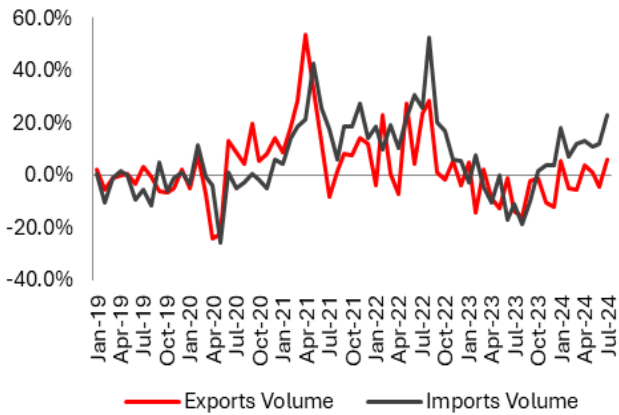
Source: Macrobond, MATRADE, MIDFR

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



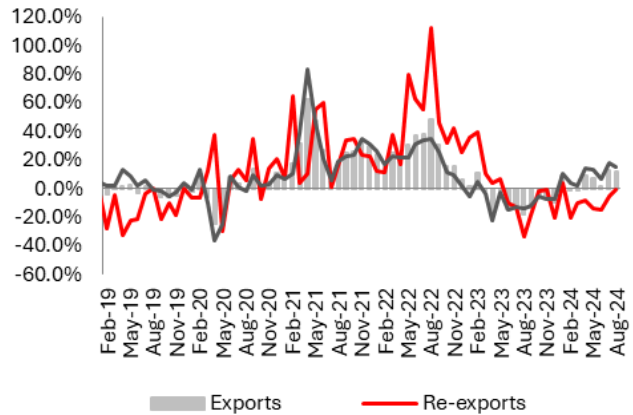
Source: Macrobond, MATRADE, MIDFR

Chart 5: Exports vs Imports Volume (YoY%)



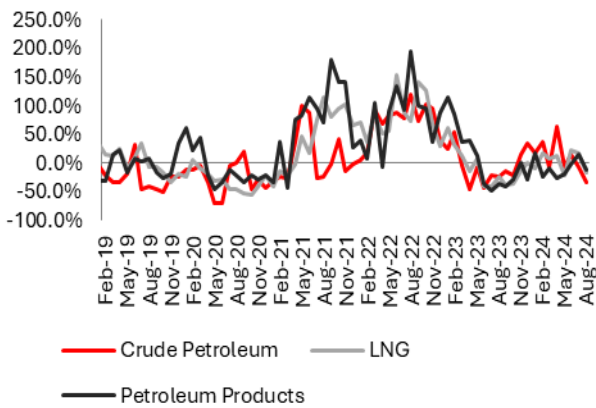
Note: Latest available data as of Jul-24
Source: Macrobond, DOSM, MIDFR

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



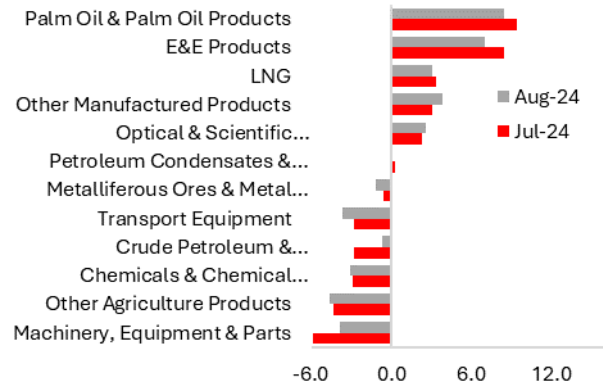
Source: Macrobond, MIDFR

Chart 7: Exports of Mining Goods (YoY%)



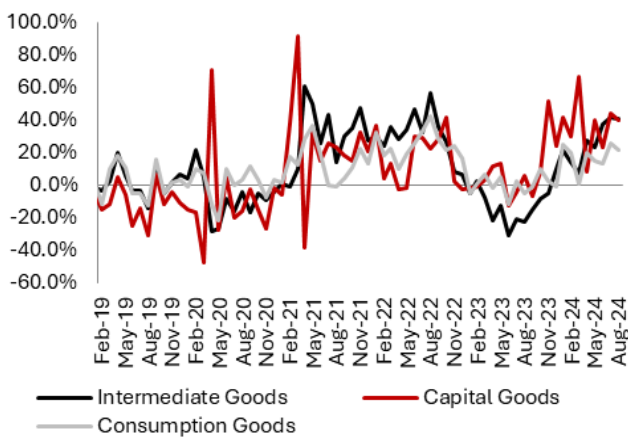
Source: Macrobond, MIDFR

Chart 8: Aug-24 Trade Balance by Selected Products (RM b)



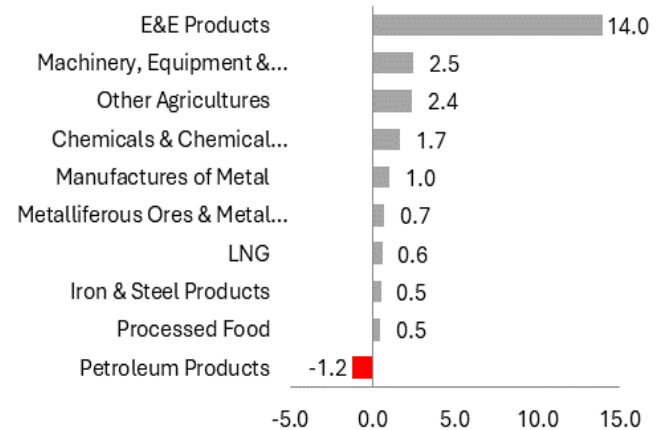
Source: Macrobond, MATRADE, MIDFR

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



Source: Macrobond, MIDFR

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



Source: Macrobond, MIDFR

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