

ECONOMIC REVIEW | September 2024 External Trade

Exports Slowed More than Expected in Sep-24 Due to Weaker Petroleum and E&E Exports

- External trade slowed more than expected in Sep-24. Malaysia's exports fell by -0.3%yoy in Sep-24, slowing more than expected mainly due to weaker exports of crude & refined petroleum products and E&E. In particular, the weaker export performance was weighed down by sharper contraction in re-exports.
- Exports fell to top 2 market but expanded further to the US. Exports to Singapore and China, Malaysia's top 2 export markets, declined by -1.2%yoy and -2.9%yoy, respectively, in Sep-24, while exports to the US maintained positive growth albeit growing moderately at +9.1%yoy.
- Imports grew slower but still at double digit. Import growth also moderated to +10.9%yoy in Sep-24 (Aug-24: +26.2%yoy), reflecting the slower rise in imports of intermediate (+18.1%yoy) and consumption (+0.2%yoy) goods.
- Keeping our 2024 forecast for both exports and imports. 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.

External trade slowed more than expected in Sep-24. Malaysia's total trade growth moderated to +4.7%yoy, the slowest growth in 9 months. Trade surplus, however, widened to +RM13.2b (Aug-24: +RM5.5b) because imports recorded larger monthly decline (-10.3%mom) vis-à-vis exports (-3.9%mom). From year-on-year perspective, Malaysia's exports fell by -0.3%yoy in Sep-24, slowing more than ours and market expectations mainly due to weaker exports of crude & refined petroleum products and E&E. In particular, the weaker export performance was weighed down by sharper contraction in re-exports (Sep-24: -14.4%yoy; Aug-24: -1.2%yoy) while domestic exports continued to sustain positive growth albeit easing to +10.1%yoy (Aug-24: +14.9%yoy). Import growth also slowed more than anticipated to +10.9%yoy (Aug-24: +26.2%yoy), but sustaining positive growth for the 11th straight month underpinned by increased imports of E&E products and crude petroleum. Although Malaysia's E&E exports weakened again in Sep-24, we expect trade recovery will continue in the coming months given the growing global demand for semiconductors and E&E products. Apart from the correction in commodity prices, we believe recent trade performance was also impacted by the strengthening of ringgit. In dollar terms, Malaysia's exports expanded by +9.5%yoy, growing for the 6th consecutive month.

Table 1: Malaysia's External Trade Summary

	Mar-24	Apr-24	May-24	Jun-24	Jul-24	Aug-24	Sep-24
Exports (RM b)	128.6	114.7	128.0	126.0	131.1	129.0	124.0
% YoY	(0.9)	9.1	7.1	1.7	12.3	12.0	(0.3)
% MoM	15.5	(10.8)	11.6	(1.6)	4.0	(1.6)	(3.9)
Imports (RM b)	115.8	107.0	118.1	111.7	124.7	123.5	110.8
% YoY	10.9	14.0	13.4	17.8	25.4	26.2	10.9
% MoM	15.7	(7.7)	10.4	(5.4)	11.6	(1.0)	(10.3)
Total Trade (RM b)	244.4	221.6	246.1	237.8	255.8	252.5	234.8
% YoY	4.4	11.4	10.1	8.7	18.3	18.5	4.7
% MoM	15.6	(9.3)	11.0	(3.4)	7.6	(1.3)	(7.0)
Trade Balance (RM b)	12.7	7.7	10.0	14.3	6.4	5.5	13.2

	Mar-24	Apr-24	May-24	Jun-24	Jul-24	Aug-24	Sep-24
Import Components							
Intermediate (RMb)	59.3	59.2	68.1	60.8	69.2	72.4	58.7
% YoY	7.6	27.0	23.4	37.1	41.3	40.5	18.1
Capital (RM b)	16.2	11.0	13.9	12.0	15.1	14.9	16.9
% YoY	66.3	8.6	40.3	23.6	44.3	39.4	56.3
Consumption (RM b)	9.4	9.8	10.2	9.3	11.0	10.3	8.8
% YoY	1.0	19.5	14.8	13.6	25.5	21.2	0.2

Note: MoM is non-seasonally adjusted figure

Source: Macrobond, MIDFR

Exports fell to top 2 market but expanded further to the US. By destination, exports to Singapore and China, Malaysia's top 2 export markets (or 27.7% of total exports), declined by -1.2%yoy and -2.9%yoy, respectively, in Sep-24. The decline in exports to Singapore was attributable to lower demand for E&E and crude & petroleum products, while reduced shipments of metalliferous ores & metal scrap, manufactures of metal and chemical products contributed to weaker exports to China. Exports to Japan and India also contracted in Sep-24, both falling at the same pace of -12.1%yoy. The weak exports to Japan was largely explained by reduced shipments of LNG and crude oil. In contrast, exports to the US maintained positive growth since Jan-24 albeit growing moderately at +9.1%yoy in Sep-24 due to increased demand for manufactured goods especially E&E, manufactures of metal and rubber products. By region, exports to EU rose at slower pace of +2.1%yoy (Aug-24: +8.5%yoy), where increased exports of palm oil and petroleum products offset the decline in E&E products. Meanwhile, exports to ASEAN fell by -4.6%yoy, marking the first decline in 6 months and largely due to lower exports of E&E. We remain cautious that export performance would be constrained by weaker exports to China, but expect Malaysia will gain from increased regional production activity. Meanwhile, despite the US-China trade tensions, demand from the US has been one of the key drivers for exports, particularly for E&E.

Table 2: Malaysia's Exports (YoY%)

	Mar-24	Apr-24	May-24	Jun-24	Jul-24	Aug-24	Sep-24
Total Exports (RMb)	128.6	114.7	128.0	126.0	131.1	129.0	124.0
Re-exports (RMb)	24.4	23.0	22.2	25.6	26.1	22.8	23.6
Domestic Exports (RMb)	104.1	91.7	105.8	100.4	105.0	105.8	106.5
Exports by Key Country / Region							
China	(2.1)	2.1	1.6	(2.1)	(11.4)	4.8	(2.9)
USA	3.0	17.3	17.4	14.0	30.9	45.4	9.1
Japan	(5.4)	(4.3)	0.4	(18.6)	11.6	(5.6)	(12.1)
India	15.0	7.4	26.4	10.0	17.3	3.0	(12.1)
Hong Kong	(5.7)	9.0	(7.5)	(2.3)	(10.0)	11.7	3.6
Australia	(25.2)	(20.4)	(14.8)	(0.9)	2.5	10.5	3.8
EU	10.0	11.3	6.9	(4.4)	14.2	8.5	2.1
ASEAN	(0.9)	11.3	10.3	2.1	16.0	8.0	(4.6)
Singapore	(6.9)	9.0	13.6	(3.1)	18.2	12.4	(1.2)
Thailand	(3.3)	13.6	(11.3)	28.9	9.7	1.0	3.8
Indonesia	(3.3)	(11.4)	2.6	(6.9)	9.3	38.1	7.2
Vietnam	45.9	15.8	17.6	15.1	13.5	(11.7)	(26.0)
Philippines	(13.5)	48.2	36.1	(9.0)	39.5	(14.7)	(1.7)

Source: Macrobond, MIDFR

E&E was the main contributor to export growth. By sector, manufacturing and mining exports contracted by -0.5%yoy and -7.8%yoy, respectively. Weaker exports of manufactured goods were underpinned by lower exports of petroleum products (-24%yoy) and E&E products (-1.2%yoy), mainly semiconductors (-4.6%yoy),

electronic machines apparatus (-17.5%yoy) and telecommunication parts (-7.8%yoy). In contrast, optical & scientific equipment (+18.2%yoy) and machinery, equipment & parts (+10.2%yoy) were among manufactured goods which registered positive export growth during the month. Meanwhile, lower exports of crude petroleum (-16.8%yoy) and metalliferous ores & metal scrap (-15.8%yoy) contributed to the decline in mining exports. The agriculture sector, however, recorded positive export growth of +10.9%yoy in Sep-24 backed by higher exports of palm oil and other agriculture goods, more than offset the decline in natural rubber and other vegetable oil. We foresee the palm oil exports will continue to grow, partly benefiting from the postpone in the implementation of EU Deforestation Regulation (EUDR), while mining exports to a certain extent will be impacted by the movement in crude oil. Despite the recent weakness in Sep-24, we continue to expect growing external demand will continue to support trade of E&E and other manufactured goods and commodities in the coming months.

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

	Mar-24	Apr-24	May-24	Jun-24	Jul-24	Aug-24	Sep-24
E&E	(1.7)	0.6	7.6	(1.6)	2.4	16.5	(1.2)
Machinery, Equipment & Parts	12.0	34.9	11.6	24.6	39.2	21.3	10.4
Optical & Scientific Equipment	(1.7)	12.7	22.4	7.0	5.3	22.2	18.2
Palm oil & palm oil-based products	(20.2)	13.4	22.5	6.3	34.4	21.0	10.3
Crude Petroleum	(7.3)	64.9	(5.7)	15.7	(7.3)	(33.4)	(16.8)
Petroleum Products	(9.3)	(26.5)	(19.4)	(0.8)	15.7	(11.2)	(24.0)
LNG	8.4	12.7	(21.2)	23.4	18.0	(15.9)	2.9
Rubber products	(0.0)	30.2	18.5	18.8	40.4	44.4	14.0
Transport equipment	37.4	33.4	3.1	(24.7)	6.6	12.4	(2.2)

Source: Macrobond, MIDFR

Imports grew slower but still at double digit. Import growth also moderated to +10.9%yoy in Sep-24 (Aug-24: +26.2%yoy), reflecting the slower rise in imports of intermediate (+18.1%yoy) and consumption (+0.2%yoy) goods. On the other hand, capital goods imports grew faster at +56.3%yoy (Aug-24: +39.4%yoy) continued to be driven by purchases of equipment for the installation of data centres. By product, a large part (or +9.7ppt) of the Sep-24 import growth was contributed by increased purchases of E&E products, which grew by +31.1%yoy. Mining goods imports also rose robustly by +23.2%yoy, mainly due to strong imports of crude petroleum (+63.4%yoy). We expect the positive growth and investment outlook will continue to drive increased imports of intermediate and capital goods. At the same time, we believe consumption goods imports will also grow on the back of growing domestic consumption.

Export growth also influenced by price change. Based on the latest available data until Aug-24, both export and import prices increased and also contributed to the recent external trade performance. We noticed the inflation in export prices became a larger contributor to export growth this year. In Aug-24, export prices rose further at +5.6%yoy (Jul-24: +6.1%yoy), while export volume increased faster at +6.3%yoy (Jul-24: +5.8%yoy). Meanwhile, imports were more influenced by volume increase (Aug-24: +25.5%yoy; Jul-24: +22.7%yoy) as import price inflation was significantly lower at +0.6%yoy (Jul-24: +2.2%yoy). Looking at the recent trend, we continue to expect price movement will have a larger impact on export growth. Following the weaker export performance in Sep-24, we expect the export price update will show either moderation or decline (in export prices), particularly looking at the continued slide in crude oil prices (from Jul-24 to Sep-24). On the other hand, import growth will continue to reflect the volume changes in external demand.

Monthly trade surplus widened to +RM13.2b. The size of trade surplus widened to 3-month high of +RM13.2b in Sep-24 (Aug-24: +RM5.5b), mainly due to larger surplus in E&E trade and smaller deficits in trade of mining goods. The E&E trade recorded higher surplus of +RM12.8b (Aug-24: +RM7.1b) as a result of both higher exports of E&E products (+6.2%mom) and reduced imports of E&E products (-6%mom). Meanwhile, the smaller deficits in trade of metalliferous ores & metal scrap, which fell to -RM0.3b (Aug-24: -RM1.1b),

contributed to the smaller deficits in mining goods trade. Trade of palm oil & palm oil products remained the second largest contributor to trade surplus, amounting to +RM8.8b, and followed by +RM3.3b surplus in trade of LNG. On the other hand, deficit in trade of crude and processed petroleum products widened to -RM2.5b (Aug-24: -RM1.5b) mainly due to reduced exports of petroleum products (-25.9%mom). We foresee the size of surplus could remain subdued in the coming months due to the more robust performance in imports. This explains why we believe current account balance will likely remain below +3% of GDP in 2024.

Potential drag to GDP from lower net exports of goods. For the 3QCY24, the size of surplus of the trade goods shrank -57.5%yoy to RM25.1b (2QCY24: +RM32.0b; 3QCY23: +RM59.0b). The smaller surplus was due to the sharper rise in imports (+20.8%yoy) and relatively slower expansion in exports (+7.8%yoy). This suggests net exports of goods could be a downward drag to the GDP growth in 3QCY24. The overall net exports, however, can still contribute positively to growth with the assumptions services trade continue to improve in the same period.


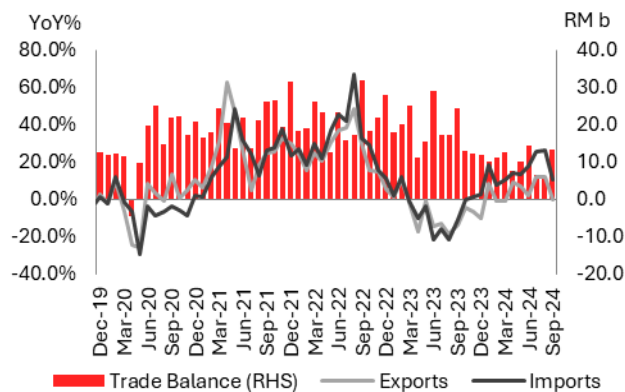
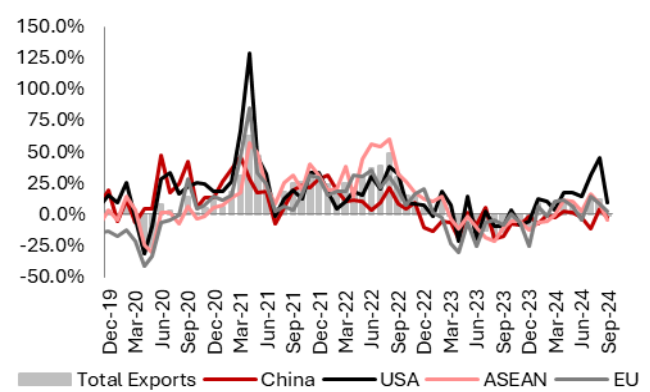
Keeping our 2024 forecast for both exports and imports. We maintain our projection that Malaysia's goods exports and imports will recover and rebound to +5.2% (2023: -8.0%) and +11.2% (2023: -6.4%), respectively, this year. We still expect the recovery in the E&E trade and increased demand for other export products to support export growth in the coming months. Meanwhile, imports will continue to increase in line with growing domestic demand. Increased investment activities, for example, will translate into more imports of capital goods. Nevertheless, we remain cautious that Malaysia's external trade activity may be negatively impacted by the escalation in geopolitical conflict, weak final demand from major economies and slowdown in global production and trade activities. 

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



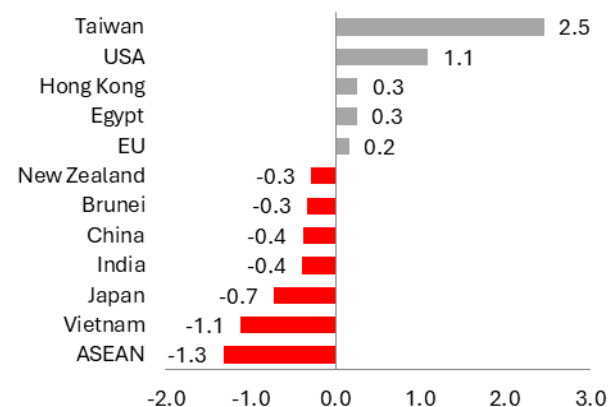
Source: Macrobond, MIDFR

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



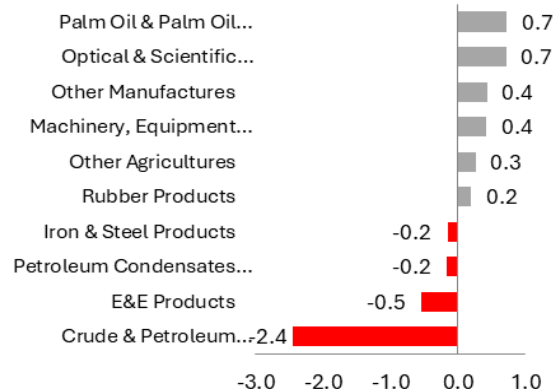
Source: Macrobond, MIDFR

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



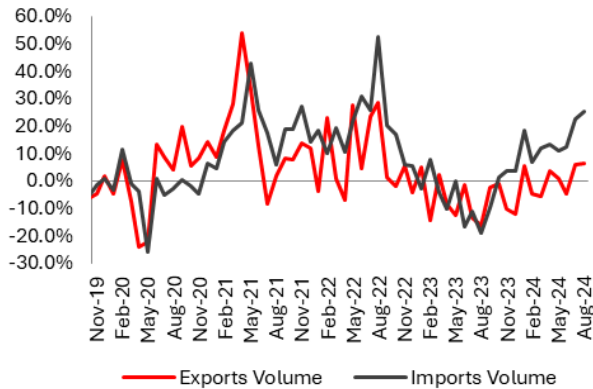
Source: Macrobond, MATRADE, MIDFR

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



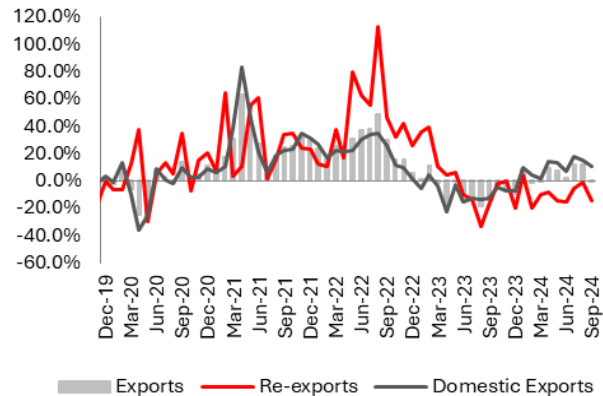
Source: Macrobond, MATRADE, MIDFR

Chart 5: Exports vs Imports Volume (YoY%)



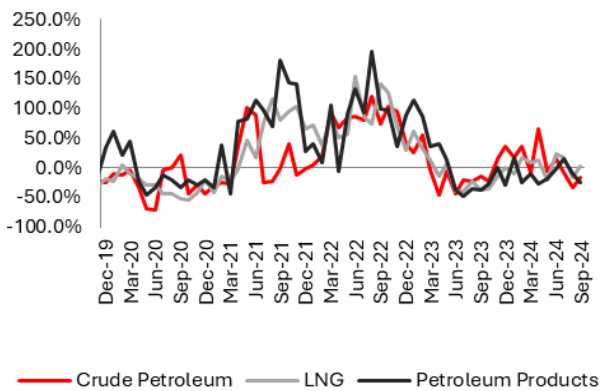
Note: Latest available data as of Aug-24
Source: Macrobond, DOSM, MIDFR

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



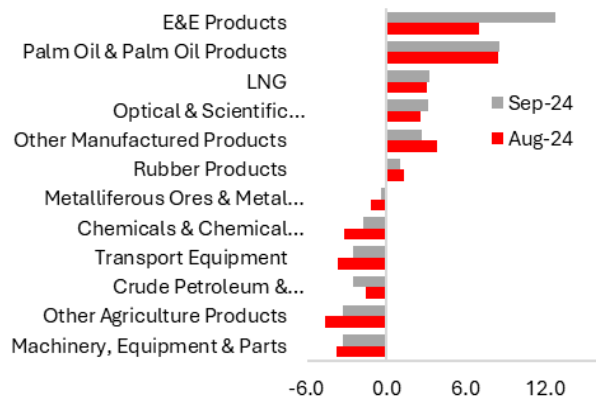
Source: Macrobond, MIDFR

Chart 7: Exports of Mining Goods (YoY%)



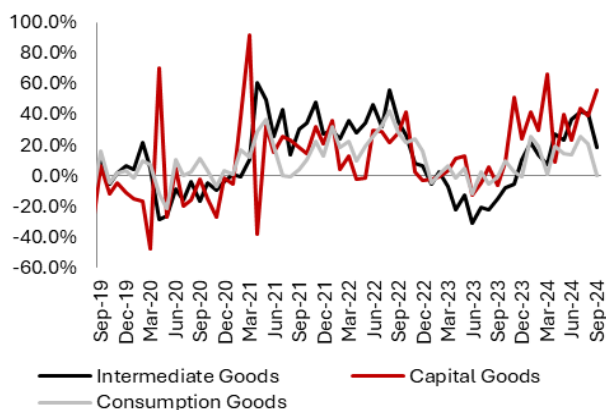
Source: Macrobond, MIDFR

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



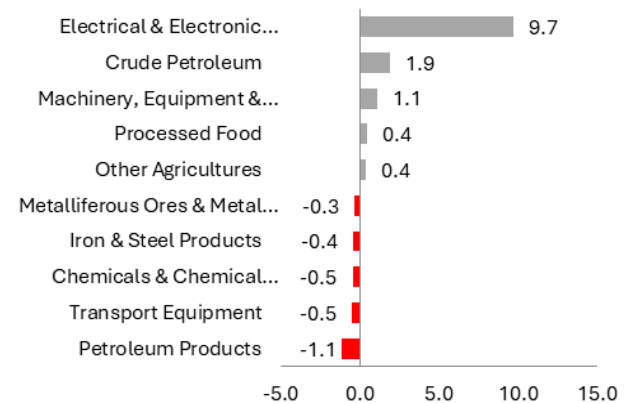
Source: Macrobond, MATRADE, MIDFR

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



Source: Macrobond, MIDFR

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



Source: Macrobond, MIDFR

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