

## ECONOMIC REVIEW | October 2024 External Trade

### Exports Rebounded to +1.6%yoy in Oct-24 Driven by Stronger E&E Exports

- Exports returned back to growth in Oct-24. Malaysia's exports rebounded and rose by +1.6%yoy in Oct-24, driven by stronger exports of E&E products, palm oil and rubber products which more than offset the continued contractions in exports of crude petroleum and petroleum products.
- Higher shipments to US and EU offset lower exports to China and regional countries. Exports to the US grew faster at +32.5%yoy (Sep-24: +9.1%yoy), with strong growth in E&E products. However, shipments to China dropped further by -6.5%yoy (Sep-24: -2.9%yoy) largely due to reduced E&E exports.
- Import growth slowed to single-digit. The moderation in import growth to +2.6%yoy in Oct-24 reflected the more moderate growth in imports of intermediate goods (+12.3%yoy; Sep-24: +18%yoy) and sharp turnaround in capital goods imports, which registered the first decline in 13 months.
- Maintain 2024 projection 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.

**Exports returned back to growth in Oct-24.** Malaysia's total trade growth decelerated further to +2.1%yoy, marking the slowest pace in 10 months. Trade surplus shrank to +RM12.0b (Sep-24: +RM12.8b) as due to relatively stronger rebound in imports (+4.8%mom) compared to exports (+3.7%mom). From year-on-year perspective, Malaysia's exports rebounded and rose by +1.6%yoy in Oct-24, slightly below ours and market expectations but driven by stronger exports of E&E products, palm oil and rubber products which more than offset the continued contractions in exports of crude petroleum and petroleum products. On another note, the export growth in Oct-24 was underpinned by sustained rise in domestic exports (+3.1%yoy; Sep-24: +3.3%yoy), while re-exports remained a downward drag albeit falling at slower pace in Oct-24 (-3.5%yoy; Sep-24: -14.4%yoy). Meanwhile, import growth moderated to +2.6%yoy, sustaining growth since Nov-23 but the slowest expansion in 11 months. Import growth in Oct-24 was underpinned by increased imports of E&E products; machinery, equipment & parts; crude petroleum and LNG. As Malaysia's E&E exports continued to show signs of recovery in Oct-24, we expect trade recovery to continue in the final two months of 2024 on the back of the growing global demand for technology products and devices. In addition, we expect increased demand for non-E&E commodities will also support export growth as we anticipate global demand will continue to increase in the coming months.

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

	Apr-24	May-24	Jun-24	Jul-24	Aug-24	Sep-24	Oct-24
<b>Exports (RM b)</b>	114.7	128.0	126.0	131.1	129.0	123.6	128.1
% YoY	9.1	7.1	1.7	12.3	12.0	(0.6)	1.6
% MoM	(10.8)	11.6	(1.6)	4.0	(1.6)	(4.2)	3.7
<b>Imports (RM b)</b>	107.0	118.1	111.7	124.7	123.5	110.8	116.1
% YoY	14.0	13.4	17.8	25.4	26.2	10.9	2.6
% MoM	(7.7)	10.4	(5.4)	11.6	(1.0)	(10.3)	4.8
<b>Total Trade (RM b)</b>	221.6	246.1	237.8	255.8	252.5	234.3	244.3
% YoY	11.4	10.1	8.7	18.3	18.5	4.5	2.1
% MoM	(9.3)	11.0	(3.4)	7.6	(1.3)	(7.2)	4.2
<b>Trade Balance (RM b)</b>	7.7	10.0	14.3	6.4	5.5	12.8	12.0

	Apr-24	May-24	Jun-24	Jul-24	Aug-24	Sep-24	Oct-24
<b>Import Components</b>							
<b>Intermediate (RMb)</b>	59.2	68.1	60.8	69.2	72.4	58.7	62.6
% YoY	27.0	23.4	37.1	41.3	40.5	18.0	12.3
<b>Capital (RM b)</b>	11.0	13.9	12.0	15.1	14.9	16.9	12.4
% YoY	8.6	40.3	23.6	44.3	39.4	56.3	(2.7)
<b>Consumption (RM b)</b>	9.8	10.2	9.3	11.0	10.3	8.8	9.6
% YoY	19.5	14.8	13.6	25.5	21.2	0.3	3.0

Note: MoM is non-seasonally adjusted figure

Source: Macrobond, MIDFR

**Higher shipments to US and EU offset lower exports to China and regional countries.** By destination, Malaysia's exports to the US grew faster at +32.5%yoy (Sep-24: +9.1%yoy), with strong growth in E&E products (which covered 65.2% of total shipments in Oct-24). Exports to EU also expanded faster at +7.7%yoy (Sep-24: +2.1%yoy) due to increased demand for palm oil & palm oil-based products and other manufactured goods. Meanwhile, shipments to India rebounded to +23.4%yoy (Sep-24: -12.1%yoy), underpinned primarily by higher exports of palm oil. In contrast, exports to regional countries declined in Oct-24. Outbound shipments to China dropped further by -6.5%yoy (Sep-24: -2.9%yoy) largely due to reduced E&E exports. Exports to ASEAN contracted by -3.1%yoy (Sep-24: -4.6%yoy) as a result of reduced exports of crude petroleum & petroleum products, more than offset the increased exports of E&E products. Meanwhile, exports to Australia decreased by -9.4%yoy (Sep-24: -7.5%yoy) mainly explained by weaker exports of crude petroleum. Overall, the weak demand from China and crude petroleum continued to affect trade performance, while we anticipate the pick-up in E&E trade and stronger demand for palm oil will continue to drive export growth going forward. The postponement of EU Deforestation Regulation (EUDR) to end-2025, for example, will be positive for palm oil exports to EU countries at least over the next 1 year. Front-loading for shipments ahead of tighter trade rules by the incoming US administration is one of potential catalysts that will boost trade activity in the short run.

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

	Apr-24	May-24	Jun-24	Jul-24	Aug-24	Sep-24	Oct-24
<b>Total Exports (RMb)</b>	<b>114.7</b>	<b>128.0</b>	<b>126.0</b>	<b>131.1</b>	<b>129.0</b>	<b>123.6</b>	<b>128.1</b>
Re-exports (RMb)	23.0	22.2	25.6	26.1	22.8	23.6	28.7
Domestic Exports (RMb)	91.7	105.8	100.4	105.0	106.2	99.9	99.4
<b>Exports by Key Country / Region</b>							
China	2.1	1.6	(2.1)	(11.4)	4.8	(2.9)	(6.5)
USA	17.3	17.4	14.0	30.9	45.4	9.1	32.5
Japan	(4.3)	0.4	(18.6)	11.6	(5.6)	(12.1)	(0.4)
India	7.4	26.4	10.0	17.3	3.0	(12.1)	23.4
Hong Kong	9.0	(7.5)	(2.3)	(10.0)	11.7	3.6	(6.1)
Australia	(20.4)	(14.8)	(0.9)	2.5	10.5	(7.5)	(9.4)
EU	11.3	6.9	(4.4)	14.2	8.5	2.1	7.7
ASEAN	11.3	10.3	2.1	16.0	8.0	(4.6)	(3.1)
Singapore	9.0	13.6	(3.1)	18.2	12.4	(1.1)	5.6
Thailand	13.6	(11.3)	28.9	9.7	1.0	3.6	0.4
Indonesia	(11.4)	2.6	(6.9)	9.3	38.1	7.2	13.8
Vietnam	15.8	17.6	15.1	13.5	(11.7)	(26.0)	(30.6)
Philippines	48.2	36.1	(9.0)	39.5	(14.7)	(1.7)	(17.2)

Source: Macrobond, MIDFR

**Stronger E&E exports vs. still weak petroleum exports.** By sector, export growth in Oct-24 was supported by increased shipments of manufactured goods (+1.9%yoy) and agriculture products (+8.9%yoy), while mining

exports contracted further by -12.1%yoy. Exports of E&E products strengthened to +7.6%yoy (Sep-24: +0.5%yoy) following the surge in shipments of automatic data processing units (+207.6%yoy) which offset the declines in exports of semiconductors (-4.0%yoy) and office machines (-10.3%yoy). Stronger exports of E&E and rubber products (+34.1%yoy) among others countered the continued weakness in exports of processed petroleum products (-31%yoy). Meanwhile, the growth in agriculture exports was largely supported by increased palm oil exports. Although natural gas exports grew faster at -8.9%yoy, the decline in mining exports last month was due to sharper fall in crude petroleum exports (-46.2%yoy). We continue to expect that higher exports of E&E and palm oil will be the main driver of export growth going forward.

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

	Apr-24	May-24	Jun-24	Jul-24	Aug-24	Sep-24	Oct-24
E&E	0.6	7.6	(1.6)	2.4	16.5	0.5	7.6
Machinery, Equipment & Parts	34.9	11.6	24.6	39.2	21.3	10.2	10.7
Optical & Scientific Equipment	12.7	22.4	7.0	5.3	22.2	(0.6)	3.8
Palm oil & palm oil-based products	13.4	22.3	6.3	34.4	20.9	10.3	13.7
Crude Petroleum	64.9	(5.7)	15.7	(7.3)	(33.4)	(34.2)	(46.2)
Petroleum Products	(21.0)	(19.4)	(7.9)	11.7	(12.6)	(19.4)	(31.0)
LNG	12.7	(21.2)	23.4	16.6	(13.1)	3.5	8.9
Rubber products	30.2	18.5	18.8	40.4	44.4	14.0	34.1
Transport equipment	33.4	3.1	(24.7)	6.6	11.5	(0.8)	(18.8)

Source: Macrobond, MIDFR

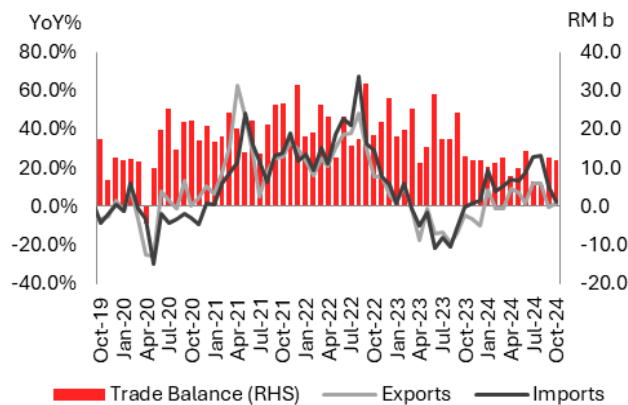
**Import growth slowed to single-digit.** The moderation in import growth to +2.6%yoy in Oct-24 reflected the more moderate growth in imports of intermediate goods (+12.3%yoy; Sep-24: +18%yoy) and sharp turnaround in capital goods imports, which registered the first decline in 13 months (-2.7%yoy; Sep-24: +56.3%yoy). The decline in capital goods imports was largely dragged down by weaker imports of transport equipment and industrial goods, although we learned that imports of IT equipment related to data centres were still robust. Imports of consumption goods, on the other hand, picked up and increased by +3.0%yoy (Sep-24: +0.3%yoy). By sector, the +2.6%yoy increase in imports of manufactured goods was driven by increased purchases of E&E products (+27.8%yoy) and machinery, equipment & parts (+22.9%yoy). Agriculture imports surged by +16.7%yoy due to higher demand for other agriculture goods (+20.7%yoy) and natural rubber (+18.3%yoy). In contrast, mining goods imports shrank by -2.0%yoy due to lower imports of metalliferous ores & metal scrap (-37.2%yoy). We expect positive and favorable business outlook will continue to support import growth of intermediate and consumption goods. At the same time, we believe capital goods imports will also rebound and grow on the back of growing domestic and foreign investment.

**Larger effect from volume change vis-a-vis price movement.** Based on the latest data in Sep-24, weak exports were influenced by lower volume, while slower import growth was affected by slower volume growth, in addition to deflated import prices. The -3.4%yoy decline in Sep-24 export volume cancelled out the export price inflation (+3.3%yoy). Lower export volume was recorded mainly by mineral fuels, lubricants & related materials (in line with weak petroleum exports); beverages & tobacco; and inedible crude materials. Meanwhile, import growth slowed to +10.9%yoy in Sep-24 (Aug-24: +26.2%yoy) due to falling import prices (-2.7%yoy; Aug-24: +0.6%yoy) and slower rise in import volume (+14%yoy; Aug-24: +25.5%yoy). The decline in import prices was contributed by lower prices of various products such as mineral fuel, lubricants & related materials; chemicals; machines & transport equipment; and manufactured goods. However, the volume data shows the recent weakness in petroleum exports was due to volume decline, affected by the maintenance works. Meanwhile, we noticed the strong volume growth far exceeded the decline in export prices for oils & fats, which means the recent strength in palm oil exports were driven more by rising volume. On the other hand, we anticipate the growth in imports will continue to be mainly influenced by volume change i.e. the strength of final demand.

**Monthly trade surplus shrank to +RM12.0b.** Trade surplus decreased to +RM12.0b in Oct-24 (Sep-24: +RM12.8b), mainly due to reduced surplus in E&E trade and larger deficits in trade of machinery, equipment & parts. The surplus in E&E trade which dropped to +RM11.7b (Sep-24: +RM13.7b) was a result of both reduction in E&E exports (-2.9%mom) and higher imports of E&E products (+1.1%mom). Trade of machinery, parts & equipment widened to -RM5.1b (Sep-24: -RM3.2b), as more imports of the products (+23.3%mom) were brought into Malaysia than previous month. Surplus in E&E trade remained the largest contributor to overall trade surplus, and followed by surplus in trade of palm oil & palm oil products (Oct-24: +RM9.2b; Sep-24: +RM8.6b) and surplus in trade of LNG (Oct-24: +RM4.3b; Sep-24: +RM3.3b). Meanwhile, the deficit in trade of crude and processed petroleum products shrank to -RM4.6b (Sep-24: -RM5.2b) as further decline in crude petroleum exports (-28.4%mom) was offset by higher exports of petroleum products (+16.7%mom) as well as lower imports of petroleum products (-15.6%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 recently revised down our projection for current account surplus to remain low at +1.5% of GDP in 2024, the same ratio seen last year.

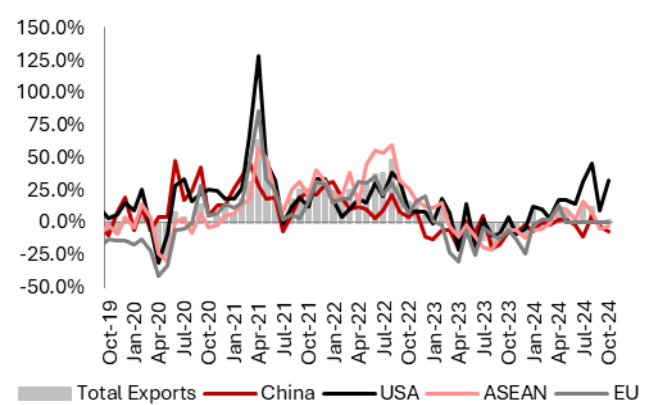
**Maintain 2024 projection for both exports and imports.** We maintain our projection that Malaysia's goods exports and imports will recover and rebound to +5.2% (2023: -8.0%) and +11.2% (2023: -6.4%), respectively, this year. We expect the recovery in the E&E trade and increased demand for non-E&E commodities to support export growth in the coming months. Meanwhile, imports will continue to increase in line with growing domestic demand. Increased investment activities will also drive higher imports especially for capital and intermediate goods. Nevertheless, we remain cautious that Malaysia's external trade activity may be negatively impacted by the escalation in geopolitical conflicts, weaker final demand from major economies and slowdown in global production and trade activities. The growing trade tensions between US and China (and other regions) and growing protectionism could also constrain global trade outlook next year. 🇲🇾

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



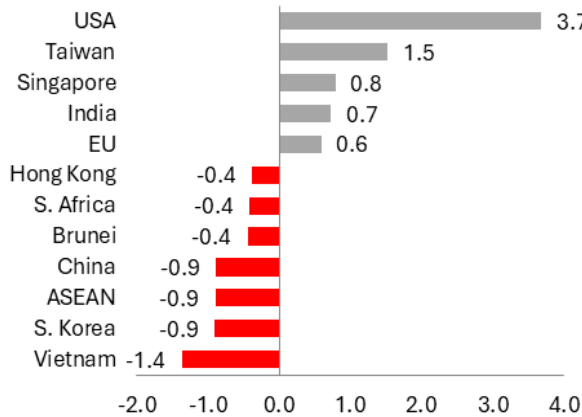
Source: Macrobond, MIDFR

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



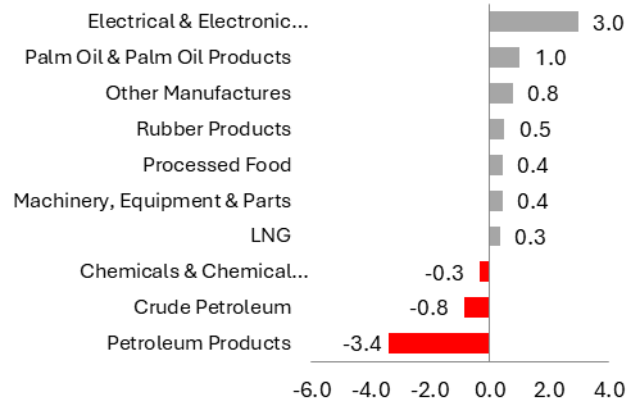
Source: Macrobond, MIDFR

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



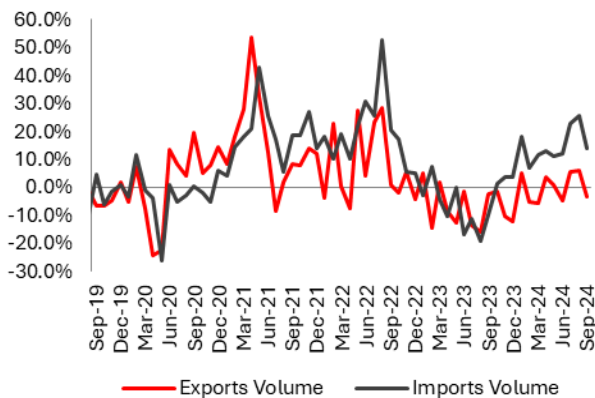
Source: Macrobond, MATRADE, MIDFR

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



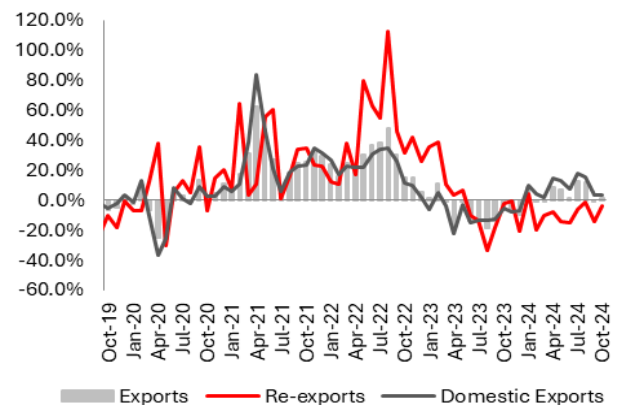
Source: Macrobond, MATRADE, MIDFR

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



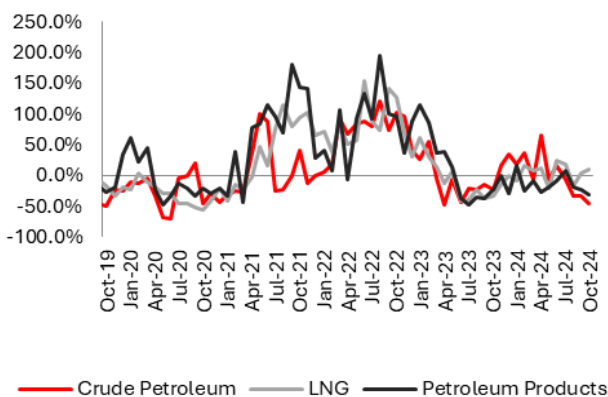
Note: Latest available data as of Sep-24  
Source: Macrobond, DOSM, MIDFR

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



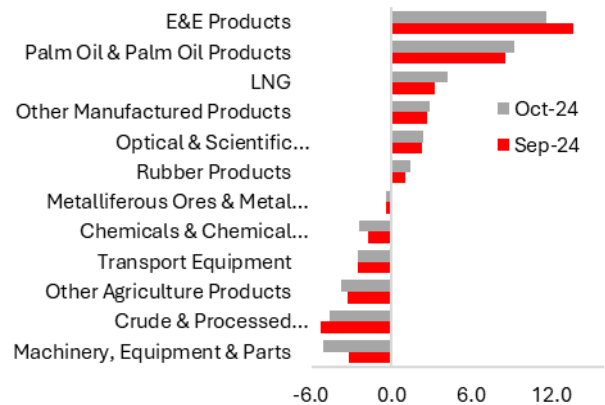
Source: Macrobond, MIDFR

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



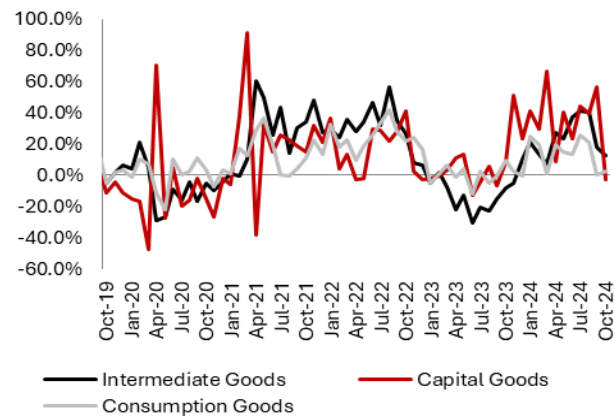
Source: Macrobond, MIDFR

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



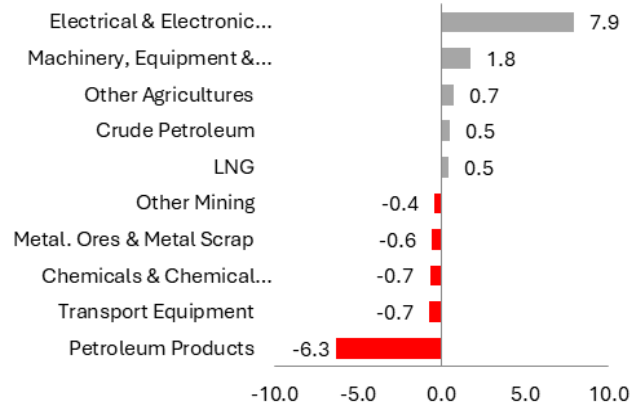
Source: Macrobond, MATRADE, MIDFR

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



Source: Macrobond, MIDFR

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



Source: Macrobond, MIDFR

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