

ECONOMIC REVIEW | November 2024 External Trade

Malaysia's Trade Surplus Widened in Nov-24 to the Highest Level in 14 Months

- Exports growth accelerated more than expected. Malaysia's total trade growth picked up to +2.9%yoy in Nov-24 (Oct-24: +2.1%yoy), mainly thanks to stronger export growth (+4.1%yoy; Oct-24: +2.7%yoy) supported mainly by increased shipments of E&E products; machinery, equipment & parts; and palm oil.
- Stronger E&E exports offset the ongoing weakness in petroleum exports. By sector, manufacturing exports (share: 85.1% of total exports) grew by +5.2%yoy in Nov-24. This was driven by stronger exports of E&E products (+12.2%yoy; Oct-24: +7.8%yoy), mainly semiconductors (+12.5%yoy) and automatic data processing (+55.4%yoy).
- Imports grew slower than expected. Import growth moderated further to +1.6%yoy in Nov-24 (Oct-24: +2.7%yoy), as sharper decline in capital goods imports was offset by sustained rise in imports of intermediate and consumption goods.
- Exports and imports continue growing in 2025. We forecast external trade to continue growing next year, with exports and imports growing at +4.9% (2024f: +5.2%; 2023: -8.0%) and +4.5% (2024f: +12.7%; 2023: -6.4%), respectively.

Exports growth accelerated more than expected. Malaysia's total trade growth picked up to +2.9%yoy in Nov-24 (Oct-24: +2.1%yoy), mainly thanks to stronger growth in exports which accelerated to +4.1%yoy (Oct-24: +1.6%yoy), higher than market and our expectations. The stronger exports were mainly supported by increased shipments of E&E products; machinery, equipment & parts; palm oil & palm oil-based products and transport equipment. On another note, increased domestic exports (+10.3%yoy; Oct-24: +3.2%yoy) remained the main contributor to export growth, in contrast to a sharper fall in re-exports (-18.3%yoy; Oct-24: -3.6%yoy). Imports, on the other hand, grew slower than anticipated at +1.6%yoy (Oct-24: +2.7%yoy), where the sustained growth was attributable to the strong imports of E&E products which offset the reduction in petroleum imports. As the monthly decline in imports was relatively sharper at -4.3%mom (vs. 1.2% mom in exports), this resulted in trade surplus widening to 14-month high of +RM15.3b (Oct-24: +RM11.9b). Looking at the stronger export performance, we expect an external trade recovery to contribute positively to the economic growth in 4QCY24.

Table 1: Malaysia's External Trade Summary

	May-24	Jun-24	Jul-24	Aug-24	Sep-24	Oct-24	Nov-24
Exports (RM b)	128.0	126.0	131.1	129.0	123.6	128.1	126.6
% YoY	7.1	1.7	12.3	12.0	(0.6)	1.6	4.1
% MoM	11.6	(1.6)	4.0	(1.6)	(4.2)	3.7	(1.2)
Imports (RM b)	118.1	111.7	124.7	123.5	110.8	116.3	111.3
% YoY	13.4	17.8	25.4	26.2	10.9	2.7	1.6
% MoM	10.4	(5.4)	11.6	(1.0)	(10.3)	4.9	(4.3)
Total Trade (RM b)	246.1	237.8	255.8	252.5	234.3	244.4	237.8
% YoY	10.1	8.7	18.3	18.5	4.5	2.1	2.9
% MoM	11.0	(3.4)	7.6	(1.3)	(7.2)	4.3	(2.7)
Trade Balance (RM b)	10.0	14.3	6.4	5.5	12.8	11.9	15.3

	May-24	Jun-24	Jul-24	Aug-24	Sep-24	Oct-24	Nov-24
Import Components							
Intermediate (RM b)	68.1	60.8	69.2	72.4	58.7	62.8	63.3
% YoY	23.4	37.1	41.3	40.5	18.0	12.6	12.7
Capital (RM b)	13.9	12.0	15.1	14.9	16.9	12.3	13.3
% YoY	40.3	23.6	44.3	39.4	56.3	(3.1)	(10.0)
Consumption (RM b)	10.2	9.3	11.0	10.3	8.8	9.6	10.1
% YoY	14.8	13.6	25.5	21.2	0.3	2.9	3.5

Note: MoM is non-seasonally adjusted figure

Source: Macro bond, MIDFR

Exports to the US surged, offsetting the weak demand from China and other markets. By destination, Malaysia's exports to the US reached new record high of RM20.3b, surging by +57.3%yoy in Nov-24 (Oct-24: +32.5%yoy) which was the fastest rise since Apr-21. The sustained rise was driven mainly by strong growth in demand for manufactured goods (share: 97.6% of exports to the US in Nov-24), mainly due to increased exports of E&E products (+52.9%yoy). However, exports to other markets and major regions declined during the month. Shipment to China fell sharper at -11.9%yoy (Oct-24: -6.6%yoy), marking the fastest decline in 14 months, primarily due to reduced exports of E&E products (-11.4%yoy) and LNG (-30.5%yoy). Meanwhile, lower exports of crude petroleum & processed petroleum products (such as to Singapore and Thailand) contributed to the sharper fall in exports to ASEAN (-6.3%yoy). Exports to EU countries also declined by -4.3%yoy in Nov-24 largely because of reduced demand for E&E products (-10.2%yoy) and palm oil & palm oil-based products (-15.6%yoy). The weaker exports to major regions and markets signal the softer external demand which could be a drag in future exports performance, particularly looking at the sharper fall in shipments to China. However, we expect the continued rise in demand for technology and E&E products will likely drive exports going forward, although we are watching closely whether trade outlook will be significantly impacted by the tariff hikes by the new US administration and other countries.

Table 2: Malaysia's Exports (YoY%)

	May-24	Jun-24	Jul-24	Aug-24	Sep-24	Oct-24	Nov-24
Total Exports (RM b)	128.0	126.0	131.1	129.0	123.6	128.1	126.6
Re-exports (RM b)	22.2	25.6	26.1	22.8	23.6	28.7	21.2
Domestic Exports (RM b)	105.8	100.4	105.0	106.2	99.9	99.4	105.4
Exports by Key Country / Region							
China	1.6	(2.1)	(11.4)	4.8	(2.9)	(6.6)	(11.9)
USA	17.4	14.0	30.9	45.4	9.1	32.5	57.3
Japan	0.4	(18.6)	11.6	(5.6)	(12.1)	(0.4)	(7.9)
India	26.4	10.0	17.3	3.0	(12.1)	23.4	13.4
Hong Kong	(7.5)	(2.3)	(10.0)	11.7	3.6	(5.3)	(2.2)
Australia	(14.8)	(0.9)	2.5	10.5	(7.5)	(9.4)	(8.6)
EU	0.1	0.1	0.1	0.1	0.1	14.8	(4.3)
ASEAN	10.3	2.1	16.0	8.0	(4.6)	(3.1)	(6.3)
Singapore	13.6	(3.1)	18.2	12.4	(1.1)	5.6	(1.3)
Thailand	(11.3)	28.9	9.7	1.0	3.6	0.3	(9.7)
Indonesia	2.6	(6.9)	9.3	38.1	7.2	13.7	(7.2)
Vietnam	17.6	15.1	13.5	(11.7)	(26.0)	(30.6)	(30.6)
Philippines	36.1	(9.0)	39.5	(14.7)	(1.7)	(17.2)	7.1

Source: Macrobond, MIDFR

Stronger E&E exports offset the ongoing weakness in petroleum exports. By sector, manufacturing exports (share: 85.1% of total exports) grew by +5.2%yoy in Nov-24. This was driven by stronger exports of

E&E products (+12.2%yoy; Oct-24: +7.8%yoy), mainly semiconductor (+12.5%yoy) and automatic data processing (+55.4%yoy). Meanwhile, exports of agriculture goods expanded by +13.4%yoy during the month, largely backed by higher exports of palm oil and palm oil-based agriculture products (+19.9%yoy). The palm oil sector's exports continued to grow at double-digit but moderated to +11.7%yoy (Oct-24: +13.7%yoy) as a result of lower exports of palm oil-based manufactured goods (-5.5%yoy). Exports of mining goods fell further by -17.3%yoy because of continued weakness in exports of crude petroleum (-46.6%yoy) and metalliferous ores & metal scrap (-37.3%yoy). We remain positive that the increased demand for E&E products and palm oil to continue supporting Malaysia's export outlook. Despite ongoing weakness in petroleum exports, we expect possible turnaround will support the sector's exports next year.

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

	May-24	Jun-24	Jul-24	Aug-24	Sep-24	Oct-24	Nov-24
E&E	7.6	(1.6)	2.4	16.5	0.5	7.8	12.2
Machinery, Equipment & Parts	11.6	24.6	39.2	21.3	10.2	9.8	23.5
Optical & Scientific Equipment	22.4	7.0	5.3	22.2	(0.6)	3.6	6.2
Palm oil & palm oil-based products	22.5	6.3	34.5	21.1	10.3	13.7	11.7
Crude Petroleum	(5.7)	15.7	(7.3)	(33.4)	(34.2)	(46.1)	(46.6)
Petroleum Products	(19.4)	(7.9)	7.1	(18.6)	(24.0)	(31.0)	(33.4)
LNG	(21.2)	23.4	18.0	(15.9)	2.9	8.9	2.8
Rubber products	18.5	18.8	40.4	44.4	14.0	34.1	21.3
Transport equipment	3.1	(24.7)	6.6	12.4	(0.8)	(18.1)	14.7

Source: Macrobond, MIDFR

Imports grew slower than expected. Import growth moderated further to +1.6%yoy in Nov-24 (Oct-24: +2.7%yoy), growing at the slowest pace in 12 months. This was attributable to a sharper decline in capital goods imports (-10%yoy; Oct-24: -3.1%yoy), mainly due to reduced purchases of non-transport capital goods. On the other hand, the continued growth in imports reflected the sustained rise in imports of intermediate goods (+12.7%yoy; Oct-24: +12.6%yoy) and consumption goods (+3.5%yoy; Oct-24: +2.9%yoy). By sector, imports of E&E products rose robustly by +20%yoy and contributed +6.0% to overall import growth in Nov-24. On the contrary, imports for the mining sector dropped -19.3%yoy mainly due to weaker purchases of crude petroleum (-23.8%yoy). Taking into account the reduced imports of processed petroleum products which fell by -20%yoy, the lower imports of petroleum dragged down by overall import growth by -3.2%point. Other products which contributed negatively to import growth were transport equipment (contribution: -1.1%point) and chemicals & chemical products (contribution: -1.0%point). We foresee the more normalized growth in imports will be positive to boost the recovery in the current account surplus. Overall, we expect import growth to remain positive driven by the sustained rise in domestic spending and growing business activities.

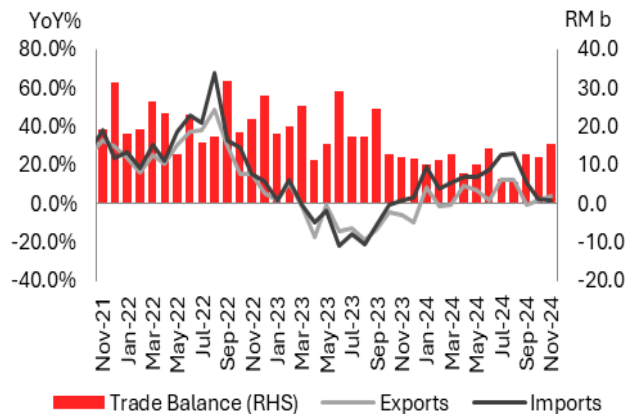
Price change has a larger effect on export growth. Based on the latest available data until Oct-24, export price change had a bigger impact on export growth as import growth was more influenced by volume change. In Oct-24, export growth rebounded to +1.6%yoy from -0.6%yoy in Sep-24, where +1.0%point was from increased export prices while +0.6%point was from the increase in export volume. The increase in export prices reflected higher prices of food, beverages & tobacco, and crude materials. Meanwhile, import growth moderated to +2.7%yoy (Sep-24: +10.9%yoy) mostly due to moderation in import volume growth (+6.7%yoy; Sep-24: +13.9%yoy), apart from a continued drag from further contraction in import prices (-3.8%yoy; Sep-24: -2.7%yoy). The decline in import prices were seen across various products especially mineral fuels, lubricants & related materials (-16.8%yoy; Sep-24: -11.1%yoy) and chemicals (-4.2%yoy; Sep-24: -3.4%yoy) linked to lower crude oil and energy prices.

The monthly trade surplus rose to 14-month high. A sharper monthly decline in imports led to the rebound in trade surplus which rose to +RM15.3b (Oct-24: +RM11.9), the highest since Sep-23. As a result, the

trade surplus recorded its first positive annual growth of +26.3%yoy after 14 months of declines. By sector, the deficit in machinery, equipment & parts dropped to -RM2.3b (Oct-24: -RM5.1b). Similar, petroleum trade (both crude and processed) also recorded a smaller deficit of -RM2.6b (Oct-24: -RM4.7b). Meanwhile, higher surplus were recorded in the LNG trade (+RM4.7b; Oct-24: +RM4.3b) and trade of other manufactured goods (+RM3.8b; Oct-24: +2.9b). Overall, E&E products, palm oil & palm oil-based products and LNG remained the largest 3 contributors to trade surplus. We foresee higher demand for these products and other manufactured goods will ensure Malaysia's trade balance will remain in surplus going forward.

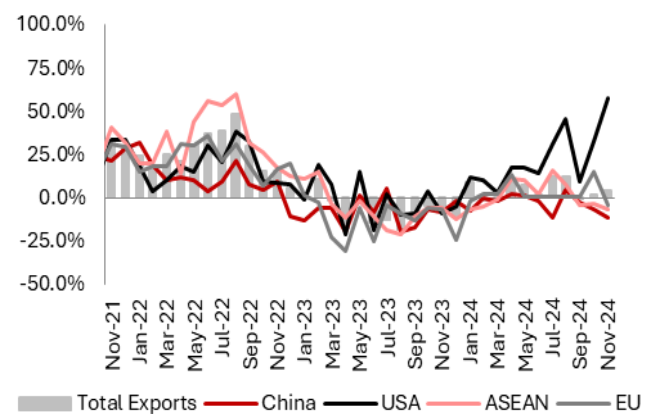
Exports and imports to continue growing in 2025. We forecast external trade to continue growing next year, with exports and imports to grow at +4.9% (2024f: +5.2%; 2023: -8.0%) and +4.5% (2024f: +12.7%; 2023: -6.4%), respectively. We still expect the recovery in the E&E trade and increased demand for non-E&E commodities to support export growth in the coming months. Meanwhile, imports will continue to increase in line with growing domestic demand and business activities. However, we remain cautious that Malaysia's external trade outlook may be adversely impacted by the escalation in geopolitical conflicts, weaker final demand from major markets and slowdown in global production and trade activities. The intensification of trade tensions between US and China (and other regions) and introduction of protectionist policy could also constrain global trade activity next year. 🇲🇾

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



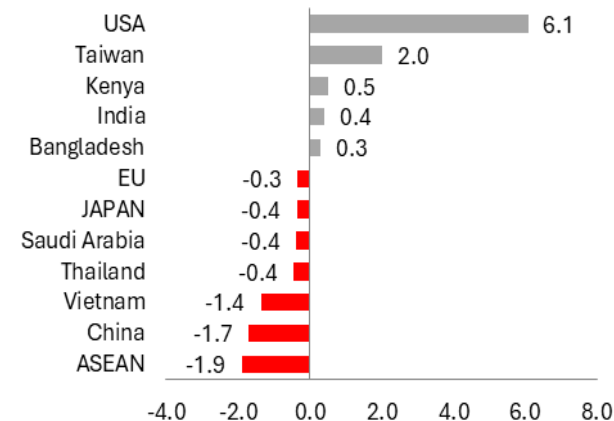
Source: Macrobond, MIDFR

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



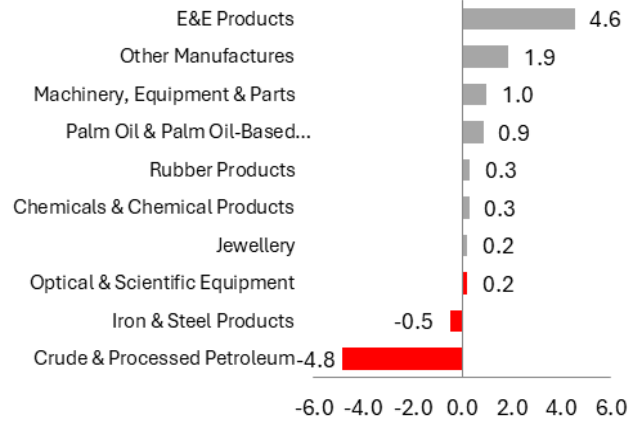
Source: Macrobond, MIDFR

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



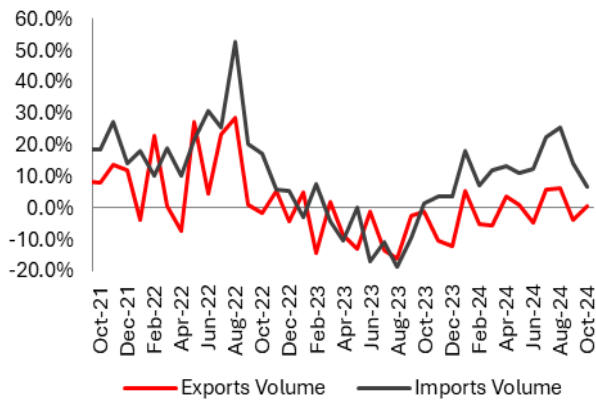
Source: Macrobond, MATRADE, MIDFR

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



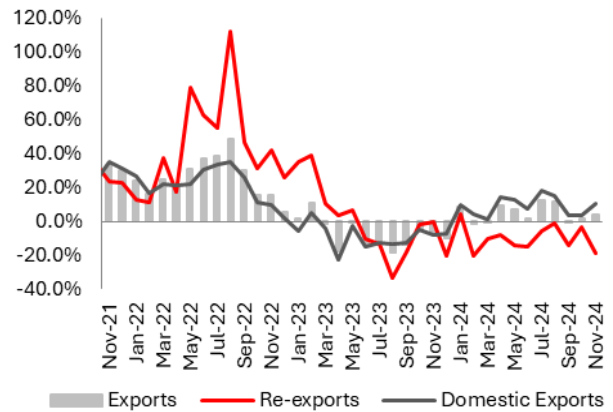
Source: Macrobond, MATRADE, MIDFR

Chart 5: Exports vs Imports Volume (YoY%)



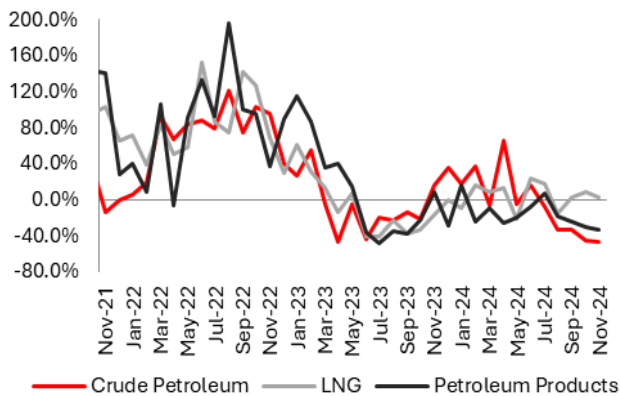
Note: Latest available data as of Oct-24
Source: Macrobond, DOSM, MIDFR

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



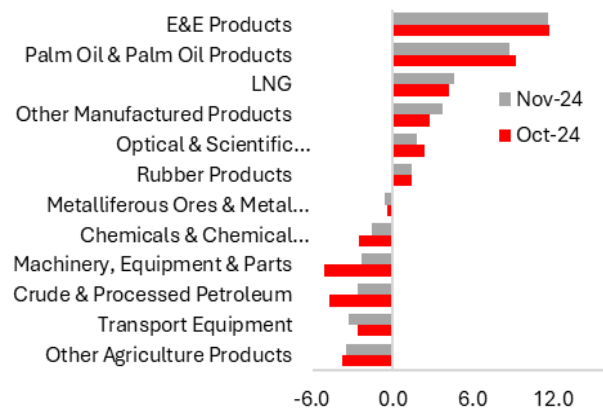
Source: Macrobond, MIDFR

Chart 7: Exports of Mining Goods (YoY%)



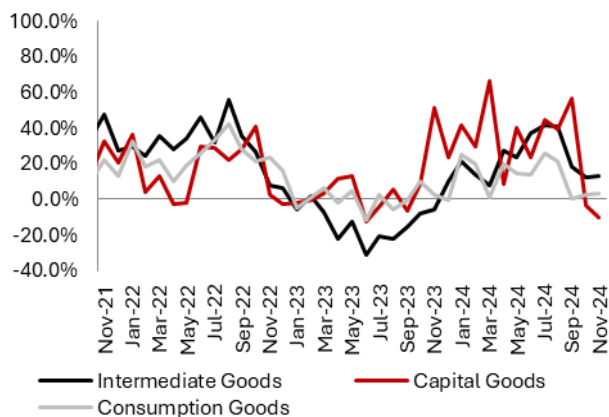
Source: Macrobond, MIDFR

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



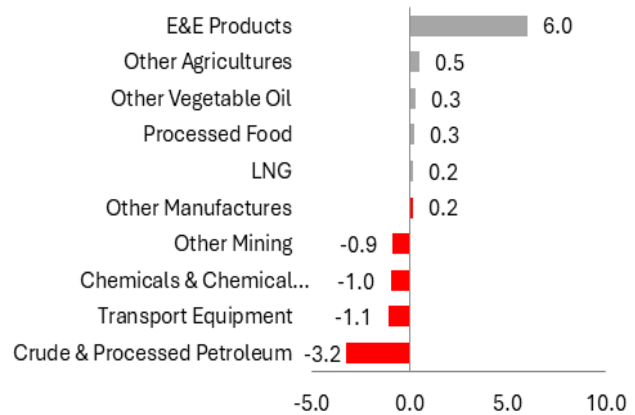
Source: Macrobond, MATRADE, MIDFR

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



Source: Macrobond, MIDFR

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



Source: Macrobond, MIDFR

**MIDF RESEARCH is part of MIDF Amanah Investment Bank Berhad
197501002077 (23878-X).
(Bank Pelaburan)
(A Participating Organisation of Bursa Malaysia Securities Berhad)**

DISCLOSURES AND DISCLAIMER

This report has been prepared by MIDF AMANAH INVESTMENT BANK BERHAD (23878-X). It is for distribution only under such circumstances as may be permitted by applicable law.

Readers should be fully aware that this report is for information purposes only. The opinions contained in this report are based on information obtained or derived from sources that we believe are reliable. MIDF AMANAH INVESTMENT BANK BERHAD makes no representation or warranty, expressed or implied, as to the accuracy, completeness or reliability of the information contained therein and it should not be relied upon as such.

This report is not, and should not be construed as, an offer to buy or sell any securities or other financial instruments. The analysis contained herein is based on numerous assumptions. Different assumptions could result in materially different results. All opinions and estimates are subject to change without notice. The research analysts will initiate, update and cease coverage solely at the discretion of MIDF AMANAH INVESTMENT BANK BERHAD.

The directors, employees and representatives of MIDF AMANAH INVESTMENT BANK BERHAD may have interest in any of the securities mentioned and may benefit from the information herein. Members of the MIDF Group and their affiliates may provide services to any company and affiliates of such companies whose securities are mentioned herein. This document may not be reproduced, distributed or published in any form or for any purpose.