

ECONOMIC REVIEW | December 2024 External Trade

Malaysia's Trade Surplus at 15-Month High as Exports Surged by +16.9%yoy in Dec-24

- Continued robust exports growth. Malaysia's total trade growth surged to +14.6%yoy in Dec-24 (Nov-24: +2.8%yoy) primarily driven by acceleration in exports to +16.9%yoy, supported higher shipments of E&E products; palm oil & palm oil-based products; rubber products and petroleum products.
- E&E exports strengthened, offsetting the weakness in LNG and crude petroleum exports. By sector, manufacturing exports increased by +18.5%yoy in Dec-24 primarily due to more robust exports of E&E products (+27.8%yoy).
- Imports returned to double-digit growth. Import growth jumped to +11.9%yoy in Dec-24 (Nov-24: +1.6%yoy), the fastest expansion since Sep-24, driven by the sharp rebound in capital goods imports (+41.5%yoy) and increase in imports of consumption goods (+11.9%yoy).
- 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% and +4.5%, respectively. However, we remain cautious that Malaysia's external trade outlook may be impacted by the escalation in geopolitical and trade tensions.

Continued robust exports growth. Malaysia's total trade growth surged to +14.6%yoy in Dec-24 (Nov-24: +2.8%yoy) primarily driven by acceleration in exports to +16.9%yoy (Nov-24: +3.9%yoy), the fastest growth pace for the year. The strong export performance, which surpassed our estimate, mainly stemmed from higher outbound shipments for E&E products (+27.8%yoy), thanks to the rapid advancement in global technology. Rise in freight was also seen for palm oil & palm oil-based products (+27.7%yoy), rubber products (+29.8%yoy) and petroleum products (+18%yoy). Apart from stronger domestic exports (+13.3%yoy; Nov-24: +10%yoy), re-exports rebounded strongly (+33.5%yoy; Nov-24: -18.7%yoy) which signals Malaysia also benefited from the front-loading of shipments ahead of the tightening of trade rules by the new US government. Meanwhile, imports also recorded double-digit growth of +11.9%yoy (Nov-24: +1.6%yoy), mainly driven by inbound shipments of E&E products (+31.5%yoy) and machinery, equipment and parts (+31.1%yoy). The monthly increase in exports, which was notably faster at +9.7%mom (Nov-24: -1.4%yoy) vis-à-vis rising imports at +7.3%mom (Nov-24: -4.3%yoy) led to a widening of trade surplus to a 15-month high of +RM19.2b (Nov-24: +RM15.1b). For the full year 2024, exports surpassed RM1tril for the fifth time, increasing by +5.7%yoy to reach RM1.5t, mainly fueled by increased shipments of E&E products; machinery, equipment & parts; and palm oil & palm oil-based products. Looking ahead, Malaysia's exports will remain supported by steady demand for E&E products, in line with an ongoing upcycle in the sector. Despite the looming trade tensions between China and the US with the new administration, we believe Malaysia, as part of ASEAN, is well-positioned to capture a larger share of the US export market that China may possibly lose. This will support a positive trade outlook for Malaysia, helping to sustain a resilient economic growth.

Table 1: Malaysia's External Trade Summary

	Jul-24	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24	2024
Exports (RM b)	131.1	129.0	123.6	128.1	126.3	138.5	1,507.7
% YoY	12.3	12.0	(0.6)	1.6	3.9	16.9	5.7
% MoM	4.0	(1.6)	(4.2)	3.7	(1.4)	9.7	
Imports (RM b)	124.7	123.5	110.8	116.3	111.3	119.3	1370.8

	Jul-24	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24	2024
% YoY	25.4	26.2	10.9	2.7	1.6	11.9	13.2
% MoM	11.6	(1.0)	(10.3)	4.9	(4.3)	7.3	
Total Trade (RM b)	255.8	252.5	234.3	244.4	237.6	257.9	2,878.6
% YoY	18.3	18.5	4.5	2.1	2.8	14.6	9.2
% MoM	7.6	(1.3)	(7.2)	4.3	(2.8)	8.5	
Trade Balance (RM b)	6.4	5.5	12.8	11.9	15.1	19.2	136.9
Import Components							
Intermediate (RM b)	69.2	72.4	58.7	62.8	63.3	60.9	748.8
% YoY	41.3	40.5	18.0	12.6	12.7	1.4	20.7
Capital (RM b)	15.1	14.9	16.9	12.3	13.3	17.4	166.9
% YoY	44.3	39.4	56.3	(3.1)	(10.1)	41.5	29.6
Consumption (RM b)	11.0	10.3	8.8	9.6	10.1	10.3	117.4
% YoY	25.5	21.2	0.3	2.9	3.3	11.9	12.8

Note: MoM is non-seasonally adjusted figure

Source: Macro bond, MIDFR

Exports to China rebounded vs. still robust but moderate exports to the US. By destination, exports to Singapore and China, Malaysia's top two export markets in Dec-24 (or 30.2% of total exports), rebounded to +44.4%yoy (Nov-24: -1.4%yoy) and +9.6%yoy (Nov-24: -11.9%yoy), respectively. Export growth to Singapore was driven by strong demand for E&E products, while exports to China grew mainly due to increased shipments of rubber products; paper & pulp products; and optical equipment, despite recording weaker E&E and mining products demand. Malaysia's exports to the US remained robust, although growing at softer pace of +29.4%yoy (Nov-24: +57.3%yoy), sustaining double-digit growth for 3 straight months. The continued growth was mainly backed by stronger exports of E&E products; machinery & parts; and rubber products. Exports to other regions like the EU, ASEAN and major markets mostly expanded during the month, except for Japan which saw a smaller decline of -7.4%yoy (Nov-24: -9.4%yoy) which fell for the 5th consecutive month. For the full-year 2024, exports growth rebounded to +5.7% (2023: -8.0%), primarily attributable to surge and turnaround in exports to the US (+23.2%yoy; 2023: -3.5%yoy) and Singapore (+5.3%yoy; 2023: -5.7%yoy). Meanwhile, shipments to Taiwan marked an exponential growth of +54.4%yoy during the year, stemming from robust demand for E&E products; optical & scientific equipment; and machinery, equipment & parts. As a result, Taiwan has surpassed Japan as Malaysia's fourth-largest trading partner. On the other hand, the decline in exports to China (-2.2%) was a drag to Malaysia's export recovery last year. Going forward, we expect shipments to key markets like Singapore, the US and Taiwan will continue to benefit from sustained demand for E&E products, driven by the ongoing upcycle in the sector. We anticipate minimal impact from the escalating trade tensions between China and the US. In fact, we view this as an opportunity for Malaysia to capture a larger share of the US export market, but this could be limited by unfavourable tariffs and quotas as well as intensified geopolitical tensions.

Table 2: Malaysia's Exports (YoY%)

	Jul-24	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24	2024
Total Exports (RM b)	131.1	129.0	123.6	128.1	126.3	138.5	1,507.7
Re-exports (RM b)	25.6	26.1	22.8	23.6	28.7	21.2	293.5
Domestic Exports (RM b)	100.4	105.0	106.2	99.9	99.4	105.1	1,214.3
Exports by Key Country / Region							
China	(11.4)	4.8	(2.9)	(6.6)	(11.9)	9.6	(2.2)
USA	30.9	45.4	9.1	32.5	57.3	29.4	23.2
Japan	11.6	(5.6)	(12.1)	(0.4)	(9.4)	(7.4)	(3.7)

	Jul-24	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24	2024
Taiwan	55.0	75.1	74.0	49.0	70.2	66.7	54.4
India	17.3	3.0	(12.1)	23.4	13.4	26.8	14.5
Hong Kong	(10.0)	11.7	3.6	(5.3)	(2.2)	34.1	(1.1)
Australia	2.5	10.5	(7.5)	(9.4)	(8.6)	33.1	(1.0)
EU	14.2	8.5	2.1	7.6	(4.3)	2.5	2.6
ASEAN	16.0	8.0	(4.6)	(3.1)	(6.4)	16.3	4.2
Singapore	18.2	12.4	(1.1)	5.6	(1.4)	44.4	5.3
Thailand	9.7	1.0	3.6	0.3	(9.7)	17.6	0.1
Indonesia	9.3	38.1	7.2	13.7	(7.2)	(14.3)	6.9
Vietnam	13.5	(11.7)	(26.0)	(30.6)	(30.6)	(15.9)	3.6
Philippines	39.5	(14.7)	(1.7)	(17.2)	7.1	(7.0)	5.2

Source: Macrobond, MIDFR

E&E exports strengthened, offsetting the weakness in LNG and crude petroleum exports. By sector, manufacturing exports (share: 84.6% of total exports) increased by +18.5%yoy in Dec-24. This was primarily due to more robust exports of E&E products (+27.8%yoy; Nov-24: +12.2%yoy), namely semiconductor (+33.8%yoy) and automatic data processing (+105.9%yoy). Similarly, agriculture goods export also rose robustly by +28.9%yoy during the month, mainly due to stronger growth in exports of palm oil and palm oil-based agriculture products (+31.1%yoy). Together with the faster growth in exports of palm oil-based manufactured goods (+19.5%yoy), the palm oil sector's exports also increased to +27.7%yoy (Nov-24: +11.7%yoy). Exports of mining goods dropped by -5.1%yoy due to sustained weakness in exports for LNG (-7.4%yoy) and crude petroleum (-12.3%yoy). For full-year 2024, the growth in Malaysia's exports last year was due to higher exports of E&E (+4.5%), palm oil & palm oil-based products (+11.7%) and machinery, equipment & parts (+20.6%). We remain optimistic that the robust demand for E&E products and palm oil will continue to support Malaysia's export outlook.

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

	Jul-24	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24	2024
E&E	2.4	16.5	0.5	7.8	12.2	27.8	4.5
Machinery, Equipment & Parts	39.2	21.3	10.2	9.8	23.5	16.3	20.6
Optical & Scientific Equipment	5.3	22.2	(0.6)	3.6	6.2	4.4	8.4
Palm oil & palm oil-based products	34.5	21.1	10.3	13.7	11.7	27.7	12.0
Crude Petroleum	(7.3)	(33.4)	(34.2)	(46.1)	(46.6)	(12.3)	(9.1)
Petroleum Products	7.1	(18.6)	(24.0)	(31.0)	(33.4)	18.0	(11.2)
LNG	18.0	(15.9)	2.9	8.9	2.8	(6.4)	1.0
Rubber products	40.4	44.4	14.0	34.1	21.3	29.8	22.6
Transport equipment	6.6	12.4	(0.8)	(18.1)	14.7	3.0	6.3

Source: Macrobond, DOSM, MIDFR

Imports returned to double-digit growth. Import growth jumped to +11.9%yoy in Dec-24 (Nov-24: +1.6%yoy), the fastest expansion since Sep-24. The stronger growth was driven by the sharp rebound in capital goods imports at +41.5%yoy (Nov-24: -10.1%yoy) mainly due to purchases of transport capital goods, particularly aircraft deliveries, non-transport capital goods, especially for data centres. The sustained growth in imports was also driven by the increase in consumption goods (+11.9%yoy), which reflects Malaysia's strong domestic demand and consumer spending. Meanwhile, purchase of intermediate goods slowed down to +1.4%yoy (Nov-24: +12.7%yoy), the slowest growth since Feb-24. By sector, E&E products imports grew strongly by +31.5%yoy (Nov-24: +20%yoy), contributing +9.6%point to the overall import growth in Dec-24. Contrastingly, imports for the mining sector declined further by -24.9%yoy (Nov-24: -19.3%yoy), primarily due to reduction in crude petroleum purchases (-33.4%yoy). Considering the decline in imports of processed

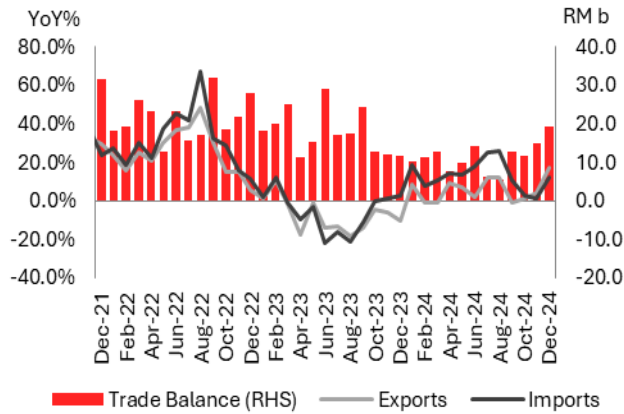
petroleum products, which edged down by -7.2%yoy (Nov-24: -20%yoy), the lower petroleum imports contributed a -2.6%point decrease to overall import growth. For the whole of 2024, imports rose by +13.2%, stronger than our projection of +11.2%, driven mainly by higher imports of E&E products (+28%) and machinery, equipment & parts (+27.5%). We expect the more stable growth in imports to positively contribute to the recovery of the current account surplus. Overall, we anticipate import growth to stay positive, supported by continued increases in domestic spending and expanding local business activities amid Malaysia's sustained economic growth.

Volume change has a more significant impact on export growth. Based on the latest data as of Nov-24, export and import growth was primarily driven by rising volume. change. In Nov-24, exports increased by +3.9%yoy (Oct-24: 1.6%yoy), whereby +4.1%point was from increased volume while the -0.1%point drag to growth came from -0.1%point in reduced export prices. The increase in export volume was reflected in a higher volume of machinery & transport equipment and manufactured articles. Meanwhile, imports moderated to +1.6%yoy from +2.7%yoy in the previous month. The slowdown is 1.6%yoy (Oct-24: +2.7%yoy). The slowdown is due to moderation in import volume growth (+4.5%yoy; Oct-24: +6.8%yoy) and a continued drag from further contraction in import prices (-2.7%yoy; Oct-24: -3.8%yoy). The decline in import prices were seen across various products especially mineral fuels, lubricants & related materials (-12.8%yoy; Sep-24: -16.8%yoy), whereas chemicals remained experienced remained a steady decline at -4.2%yoy linked to a drop in crude oil and energy prices.

Surplus widened to 15-month high; shrank to 6-year low in 2024. In Dec-24, monthly trade surplus widened to +RM19.2b (Nov-24: +RM15.1b), the highest in 15 months. The increase was mainly contributed by a higher surplus in E&E trade (Dec-24: +RM16.1b; Nov-24: +RM11.8b). Other products also registered an improved surplus such as palm oil (Dec-24: +RM9.5b; Nov-24: +RM8.8b) and LNG (Dec-24: +RM5.5b; Nov-24: +RM4.7b). The 3 products remained the largest contributors to trade surplus. On another note, the deficit in petroleum trade shrank to -RM1.8b (Nov-24: -RM2.6b), mainly thanks to improved exports of crude petroleum (+42.5%mom). For the year 2024, Malaysia's trade surplus fell for the 2nd straight year by -36.4% to +RM139.6b, the smallest in 6 years. The smaller surplus was largely explained by surge in imports of E&E products (+28%yoy), contributing to smaller yearly surplus in E&E trade of +RM145.5b (2023: +RM219.5b). In addition, deficits in petroleum trade widened to -RM38.2b (2023: -RM26.7b), while trade of machinery, equipment & parts also reported larger deficit of -RM44.7b (2023: -RM32.0b). We expect the increased demand for E&E, palm oil and LNG will continue to keep trade balance in surplus.

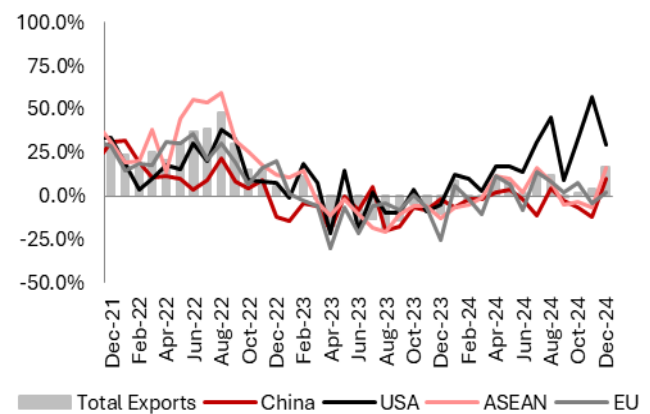
Exports and imports to continue growing in 2025. We forecast external trade to continue growing next year, with exports and imports to grow at +4.9% and +4.5%, respectively. We foresee growing demand for E&E products and other non-E&E commodities to support export growth in the coming months, while imports to increase further underpinned by growing domestic demand and increased 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 tighter trade rules could pose downside risks to global trade activity this year. 

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



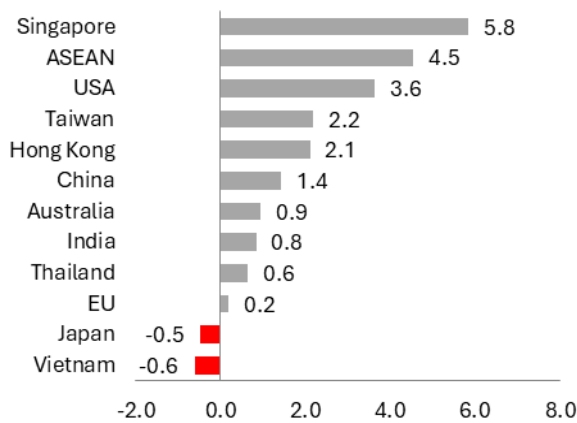
Source: Macrobond, MIDFR

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



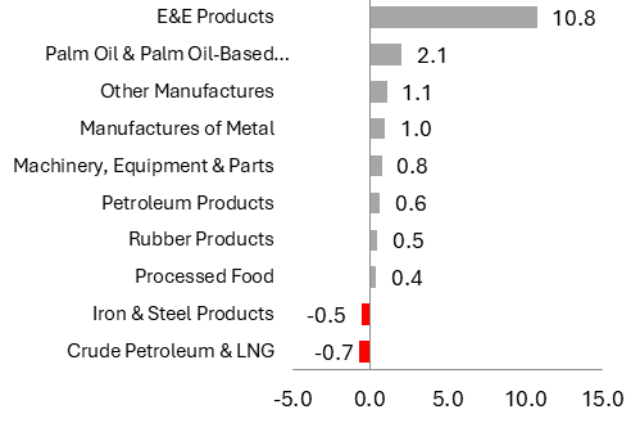
Source: Macrobond, MIDFR

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



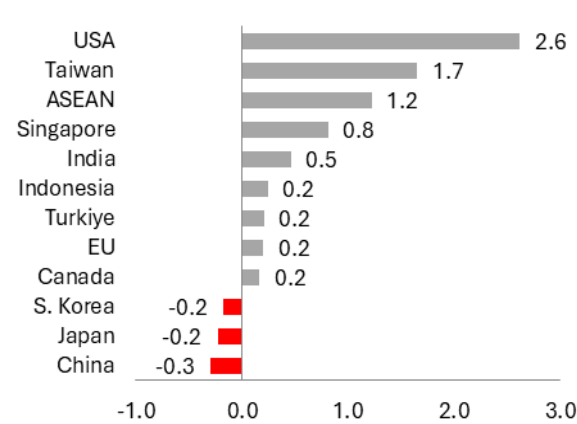
Source: Macrobond, MATRADE, MIDFR

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



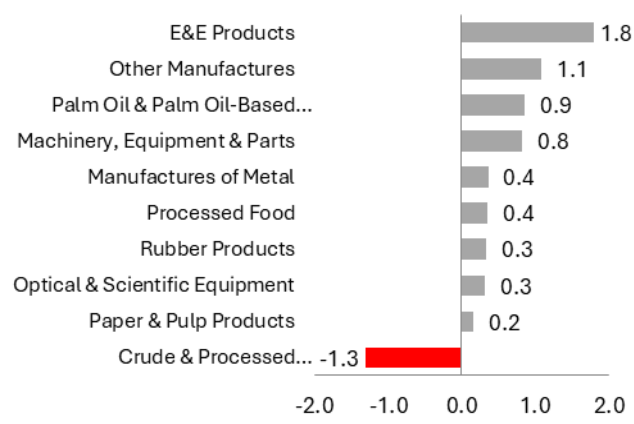
Source: Macrobond, MATRADE, MIDFR

Chart 5: Contribution to Total Exports Growth in 2024 by Destinations (%-points)



Source: Macrobond, MATRADE, MIDFR

Chart 6: Contribution to Total Exports Growth in 2024 by Key Products (%-points)



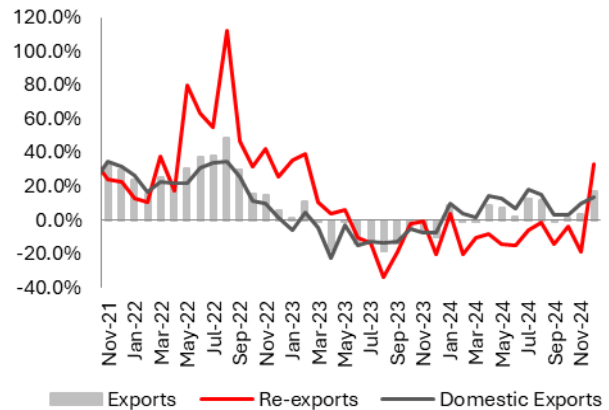
Source: Macrobond, MATRADE, MIDFR

Chart 7: Exports vs Imports Volume (YoY%)



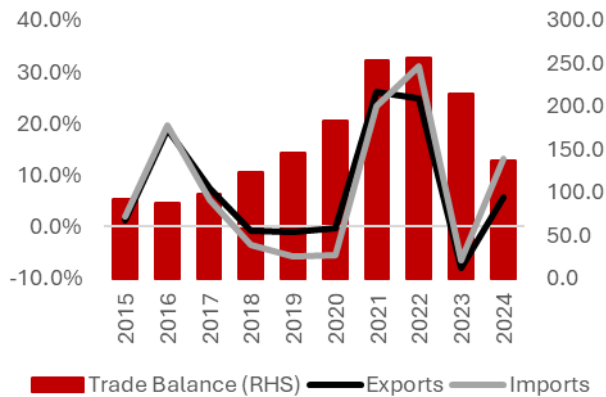
Note: Latest available data as of Oct-24
Source: Macrobond, DOSM, MIDFR

Chart 8: Exports: Domestic vs Re-exports (YoY%)



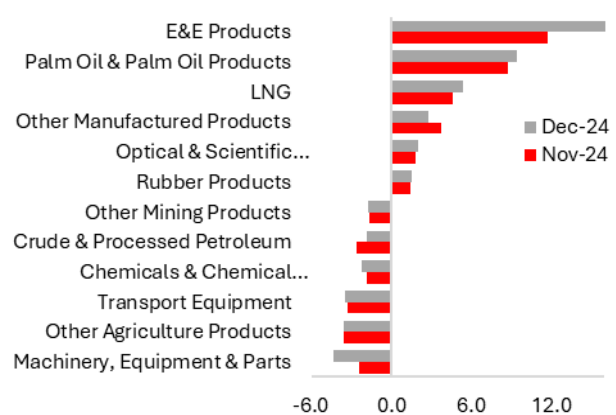
Source: Macrobond, MIDFR

Chart 9: Yearly Export and Import Growth (%) vs. Trade Balance (RM b)



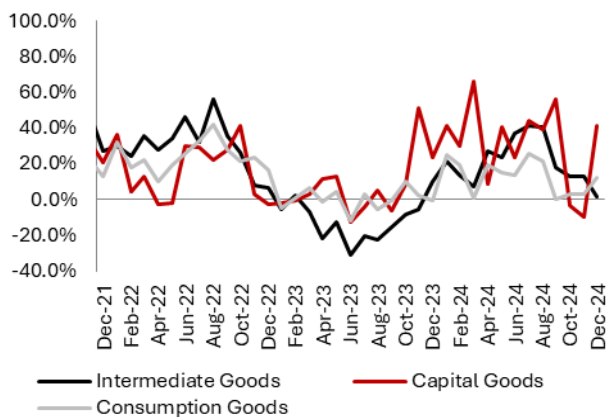
Source: Macrobond, MIDFR

Chart 10: Dec-24 Trade Balance by Selected Products (RM b)



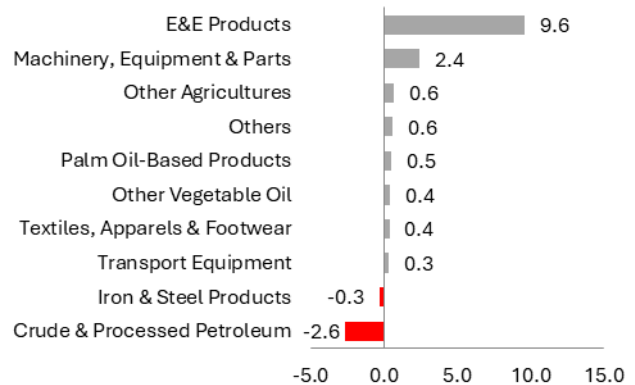
Source: Macrobond, MATRADE, MIDFR

Chart 11: Imports of Goods by End Use (YoY%)



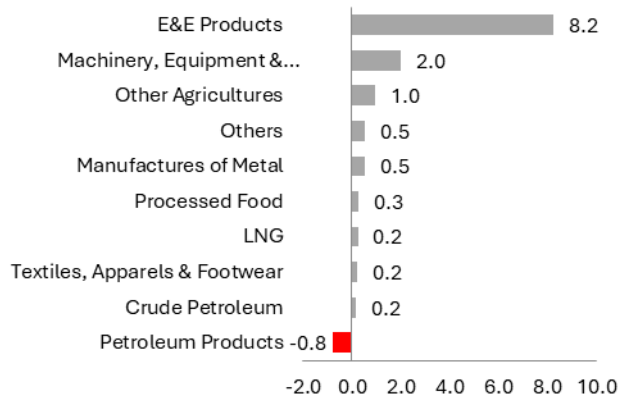
Source: Macrobond, MIDFR

Chart 12: Contribution to Total Imports Growth in Dec-24 by Key Products (%-points)



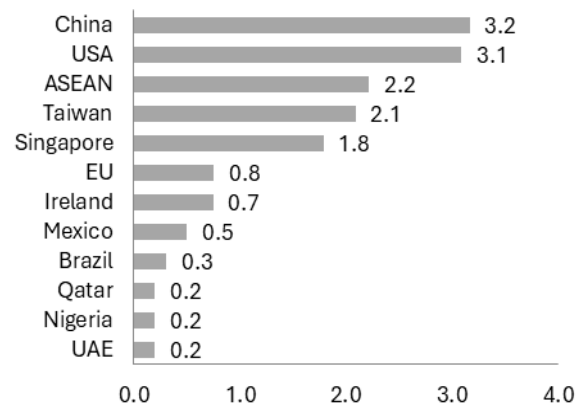
Source: Macrobond, MIDFR

Chart 13: Contribution to Total Imports Growth in 2024 by Key Products (%-points)



Source: Macrobond, MIDFR

Chart 14: Contribution to Total Imports Growth in 2024 by Major Sources (%-points)



Source: Macrobond, MIDFR

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