

21 June 2023

Malaysia External Trade

Exports down slightly in May, but better than expected on Asia-led demand

- **Exports fell marginally in May (-0.7 YoY; Apr: -17.6%), better than expectations (KIBB: -16.4%; consensus: -12.0%)**
 - MoM (13.7%; Apr: -18.9%): rebounded sharply to a two-month high, following the steepest drop in the previous month. This also signals that the slowdown in global trade may not be as severe as we expected earlier.

- **Exports were relatively supported by key sectors and trading partners especially from major Asian markets**

- By destination: rebounded among main trading partners led by SG (6.8%; Apr: -1.4%), followed by JP (2.1%; Apr: -22.1%), CN (1.5%; Apr: -20.4%) and KR (10.3%; Apr: 10.9%).
- By sector: supported by a rebound in manufacturing (1.8%; Apr: -15.5%) and mining (5.9%; Apr: -30.9%) sectors but partially weighed by sustain weakness in agriculture (-30.9%; Apr: -29.2%) sector.

- **Imports contracted (-3.3%; Apr: -11.1%) for the third straight month amid high base effect but beating expectations (KIBB: -20.3%; consensus: -11.1%). On a MoM basis, growth rebounded sharply (12.6%; Apr: -10.1%), the fastest since June 2022, thanks to higher re-exports (6.4%; Apr: 3.7%) and as slowdown in retained imports (-6.2%; Apr: -15.5%) eased**

- By category, growth was supported by an expansion in the capital (13.7%; Apr: 11.3%) and consumption (4.5%; Apr: -1.6%) goods. Nonetheless, the momentum was weighed by a sustained contraction in intermediate goods (-12.3%; Apr: -24.1%).

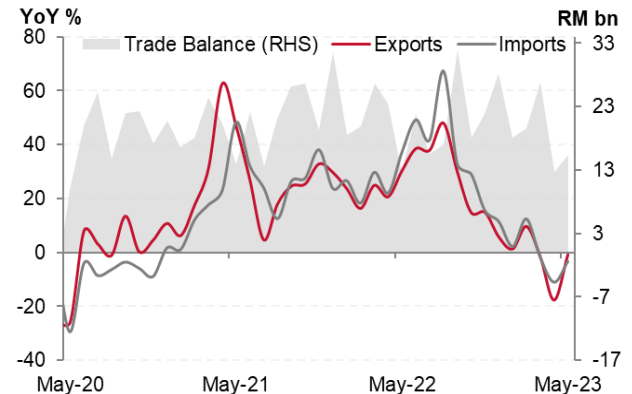
- **Trade surplus expanded to RM15.4b (Apr: RM12.6b), beating expectations (KIBB: RM14.9b; consensus: RM13.4b) as MoM exports (13.7%) rebound outpaced imports (12.6%)**

- Nonetheless, total trade remained weak, falling (-2.0%; Apr: -14.6%) for the third straight month.

- **2023 exports forecast retain at -4.2% (2022: 25.0%) for now amid a cautiously optimistic outlook and a sustained high base effect till September**

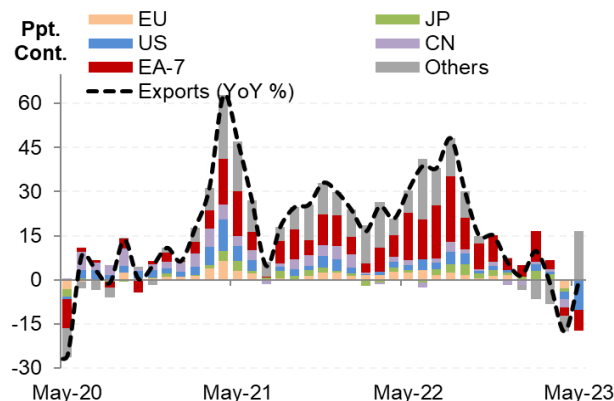
- Despite better-than-expected export growth in May, we maintain a cautious outlook as regaining a positive growth in the coming months will be rather challenging. This is largely due to the high base effect, especially in the 3Q23, and expectations of a weaker global trade outlook and lower commodity prices amid the impact of monetary policy tightening in the advanced economies. For reference, year-to-date exports as of May currently stood at -2.3% (Jan-May 2022: 23.3%).
- Nevertheless, we maintain our 2023 GDP growth forecast at 4.7% (2022: 8.7%) for now despite expectations of a slowing external trade trend in the near term as we expect domestic demand to offset the impact of a slowdown in the commodity-related and manufacturing export-oriented sectors.

Graph 1: External Trade Growth



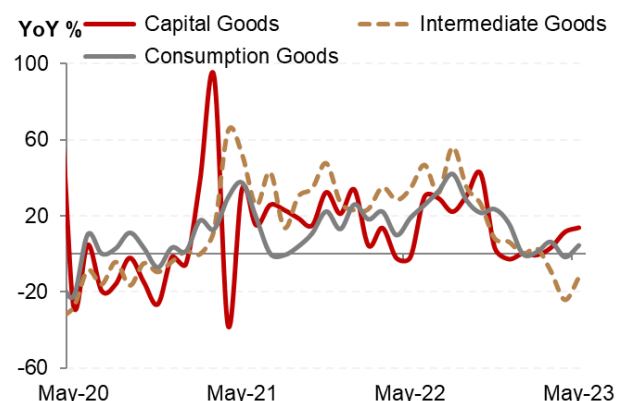
Source: Dept. of Statistics, Kenanga Research

Graph 2: Exports by Destination



Source: Dept. of Statistics, Kenanga Research

Graph 3: Imports by End Use



Source: Dept. of Statistics, Kenanga Research

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Table 1: Malaysia External Trade Growth Trend

		2020	2021	2022	May-22	Dec-22	Jan-23	Feb-23	Mar-23	Apr-23	May-23
Total Trade	%YoY	25.9	38.4	0.7	21.4	8.3	1.8	11.0	-1.6	-14.6	-2.0
Trade Balance	RM bil	183.3	253.7	255.5	23.5	28.1	18.1	19.6	26.7	12.6	15.4
Exports	%YoY	-1.1	26.1	25.0	20.8	5.9	1.4	9.8	-1.4	-17.6	-0.7
	%MoM				-3.0	1.6	-14.5	-0.3	15.5	-18.9	13.7
Manufacturing	%YoY	1.1	25.7	22.3	17.3	4.6	-0.1	9.5	-0.5	-15.5	1.8
	Shr	86.3	86.1	84.2	84.3	83.8	84.2	85.0	84.0	86.4	85.4
Agriculture	%YoY	8.7	36.8	23.3	29.8	-0.4	-19.8	-9.0	-10.9	-29.2	-30.9
	Shr	7.3	7.9	7.8	8.0	8.4	6.2	6.4	7.3	6.9	6.2
Mining	%YoY	-28.3	18.9	68.4	64.5	30.7	50.1	34.8	-3.2	-30.9	5.9
	Shr	5.9	5.6	7.5	7.3	7.3	9.1	8.2	8.0	6.1	7.7
Others	%YoY	-40.2	11.5	52.0	-26.4	1.4	-11.2	-17.8	78.1	-25.9	5.6
	Shr	0.4	0.4	0.5	0.4	0.5	0.6	0.5	0.7	0.6	0.6
Imports	%YoY	-5.8	23.3	31.3	22.1	11.5	2.2	12.4	-1.8	-11.1	-3.3
	%MoM				-0.8	-4.0	-8.8	-1.9	11.1	-10.1	12.6
Capital	%YoY	-9.4	14.4	15.8	-2.4	-2.8	0.0	-0.7	3.1	11.3	13.7
	Shr	11.3	10.5	9.3	8.7	9.6	10.2	8.5	9.4	10.9	9.6
Intermediate	%YoY	-8.1	27.2	29.2	28.4	6.4	0.0	2.9	-9.0	-24.1	-12.3
	Shr	53.6	55.3	54.4	57.4	52.5	51.2	52.6	52.1	49.0	53.1
Consumption	%YoY	0.0	13.2	24.0	9.9	16.2	0.0	1.0	6.4	-1.6	4.5
	Shr	9.3	8.5	8.0	8.0	8.9	8.7	7.6	9.0	8.8	8.5

*Shr = share to total exports or imports.

Source: Dept. of Statistics preliminary release, Kenanga Research

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