

# Malaysia External Trade

Imports and exports fell further in August on weak external demand

- Export growth contracted for the sixth straight month in August (-18.6% YoY; Jul: -13.0%), and the weakest since May 2020 as well as lower than expectations (KIBB: -14.6%; consensus: -16.3%)
  - MoM (-1.4%; Jul: -5.8%): exports fell for the second straight month but at a smaller contraction. This aligns with our expectation that exports remain subdued in 3Q23 amid a weak global economy and China's poor economic recovery.

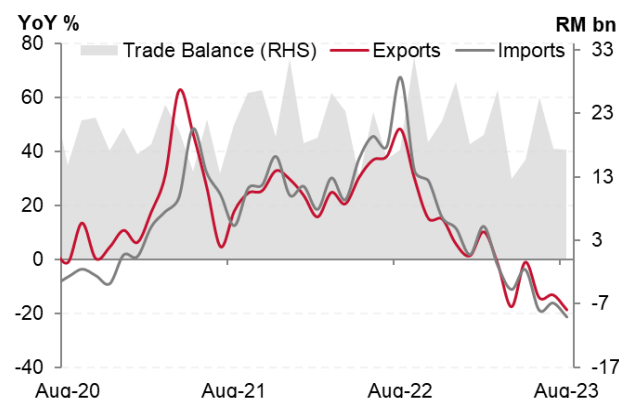
- A broad-based slowdown among key sectors and major export destinations
  - By destination: lower shipments were observed in the top export destinations, led by CN (-20.3%; Jul: 5.8%), followed by SG (-19.3%; Jul: -19.6%), JP (-19.3%; Jul: -24.8%), the US (-9.7%; Jul: 2.2%) and EU (-4.6%; Jul: -6.0%). Nevertheless, SG remains the largest export destination, albeit shrinking to 14.6% (Jul: 15.3%) share of total export, followed by CN (12.8%; Jul: 14.4%). Meanwhile, the share of total exports to the US (11.7%; Jul: 11.6%) climbed slightly.
  - By sector: a broad-based slowdown led by an enlarged contraction in manufacturing (-17.7%; Jul: -9.7%) sector, followed by the agriculture sector (-27.1%; Jul: -28.1%), and further weighed by mining (-23.1%; Jul: -33.6%).
  - By product: the decline in export was mainly weighed down by petroleum products (-38.6% YoY), followed by liquefied natural gas (-26.0%) and palm oil & palm oil-based products (-31.9%) in tandem with lower global commodity prices. Besides, the export of major manufacturing products, namely E&E, which contributed 37.7% share to total export, also fell (-15.3%).

- Imports fell for the sixth straight month (-21.2%; Jul: -16.1%) and at the sharpest pace while slightly below expectations (KIBB: -19.2%; consensus: -19.0%)
  - The subdued growth was mainly due to weak re-exports (-33.5%; Jul: -13.2%) and retained imports (-16.5%; Jul: -17.1%). Imports contracted on MoM (-1.6%; Jul: 1.1%).
  - By category, weaker growth was also due to subdued import of intermediate (-22.6%; Jul: -20.8%) and consumption (-5.4%; Jul: 2.7%) goods. Nevertheless, capital goods (5.4%; Jul: -4.3%) rebounded to a three-month high.

- Trade surplus narrowed slightly to RM17.3b (Jul: RM17.4b), which was lower than expectations (KIBB: RM20.5b; consensus: RM17.8b)
  - Nonetheless, total trade remained weak and plunged (-19.8%; Jul: -14.5%) to the lowest since May 2020.

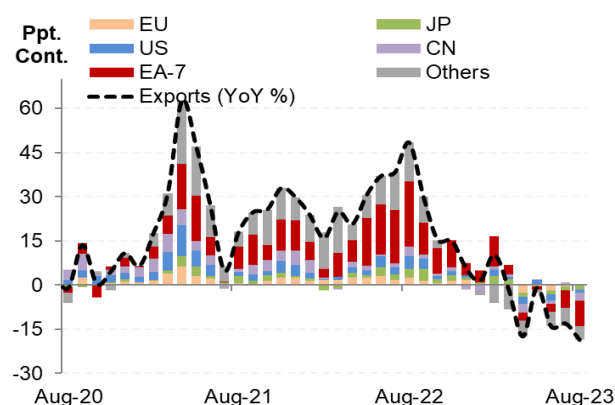
- 2023 exports forecast retained at -5.7% (2022: 24.9%), banking on a recovery in the final quarter
  - Year to date, exports fell by 7.6% compared to the same period recorded last year. This is mainly attributed to lower commodity prices, weaker global trade activity, and the effect of the high base recorded last year. The slowdown period is expected to continue towards the end of the year, albeit easing slightly, as cumulative rate hikes among advanced and emerging economies increasingly affect aggregate demand.
  - Against this backdrop, we keep our 2023 GDP growth forecast at 3.5% - 4.0% (2022: 8.7%). Nonetheless, growth is expected to be supported by a resilient domestic demand spurred mainly by fiscal spending.

Graph 1: External Trade Growth



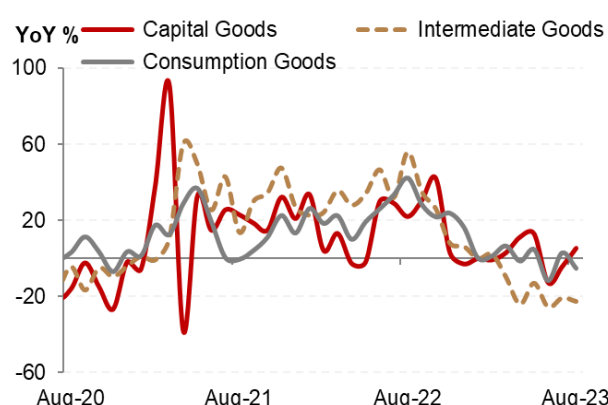
Source: Dept. of Statistics, Kenanga Research

Graph 2: Exports by Destination



Source: Dept. of Statistics, Kenanga Research

Graph 3: Imports by End Use



Source: Dept. of Statistics, Kenanga Research

20 September 2023

**Table 1: Malaysia External Trade Growth Trend**

		2020	2021	2022	Aug-22	Mar-23	Apr-23	May-23	Jun-23	Jul-23	Aug-23
Total Trade	%YoY	25.9	38.4	1.0	56.7	-1.7	-14.6	-2.2	-16.2	-14.5	-19.8
<b>Trade Balance</b>	<b>RM bil</b>	<b>183.3</b>	<b>253.7</b>	<b>256.2</b>	<b>17.3</b>	<b>26.7</b>	<b>12.6</b>	<b>15.7</b>	<b>25.5</b>	<b>17.4</b>	<b>17.3</b>
<b>Exports</b>	<b>%YoY</b>	<b>-1.1</b>	<b>26.1</b>	<b>24.9</b>	<b>48.4</b>	<b>-1.4</b>	<b>-17.5</b>	<b>-0.9</b>	<b>-14.1</b>	<b>-13.0</b>	<b>-18.6</b>
	%MoM				5.4	15.5	-18.9	13.6	3.7	-5.8	-1.4
Manufacturing	%YoY	1.1	25.7	22.2	47.6	-0.5	-15.5	1.7	-9.5	-9.7	-17.7
	Shr	86.3	86.1	84.2	84.4	84.0	86.4	85.4	87.8	86.8	85.4
Agriculture	%YoY	8.7	36.8	23.3	42.2	-10.9	-29.2	-31.0	-42.3	-28.1	-27.1
	Shr	7.3	7.9	7.8	7.4	7.3	6.9	6.2	6.0	6.5	6.6
Mining	%YoY	-28.3	18.9	68.5	62.7	-3.2	-30.9	5.9	-34.9	-33.6	-23.1
	Shr	5.9	5.6	7.6	7.8	8.0	6.1	7.8	5.6	6.3	7.3
Others	%YoY	-40.2	11.5	52.1	24.4	78.1	-25.9	4.6	16.7	-38.4	41.8
	Shr	0.4	0.4	0.5	0.4	0.7	0.6	0.6	0.7	0.4	0.6
<b>Imports</b>	<b>%YoY</b>	<b>-5.8</b>	<b>23.3</b>	<b>31.0</b>	<b>67.3</b>	<b>-2.2</b>	<b>-11.1</b>	<b>-3.7</b>	<b>-18.7</b>	<b>-16.1</b>	<b>-21.2</b>
	%MoM				4.8	11.1	-10.1	12.1	-5.2	1.1	-1.6
Capital	%YoY	-9.4	14.4	16.0	22.0	3.1	11.3	13.0	-12.6	-4.3	5.4
	Shr	11.3	10.5	9.3	8.2	9.4	10.9	9.5	9.9	10.5	10.9
Intermediate	%YoY	-8.1	27.2	28.9	56.1	-9.7	-24.1	-13.0	-25.6	-20.8	-22.6
	Shr	53.6	55.3	54.3	53.5	52.1	49.0	52.9	48.7	49.2	52.6
Consumption	%YoY	0.0	13.2	23.5	42.1	6.4	-1.6	4.5	-11.9	2.7	-5.4
	Shr	9.3	8.5	8.0	7.3	9.0	8.8	8.5	8.3	8.8	8.7

\*Shr = share to total exports or imports.

Source: Dept. of Statistics preliminary release, Kenanga Research

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