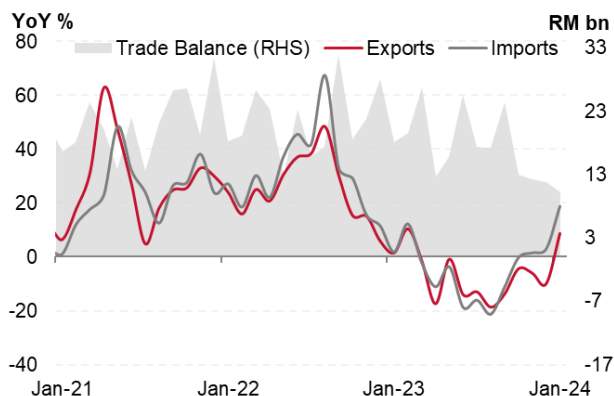


Malaysia External Trade

Exports rebounded in January; trade surplus narrowed to 44-month low

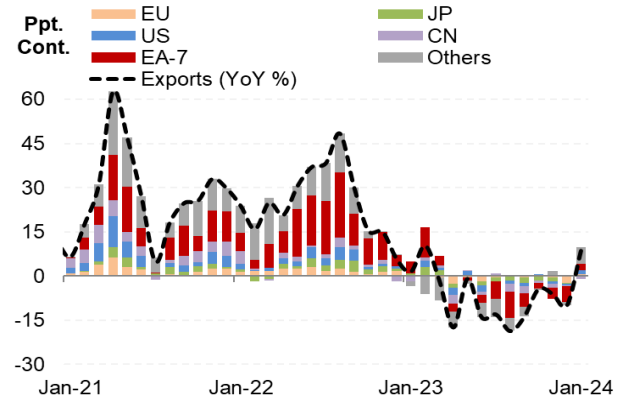
- Exports rebounded in January (8.7% YoY; Dec: -10.1%), far beating expectations (KIBB: 3.0%; consensus: 3.0%) marking positive growth for the first time since March 2023**
 - MoM (3.4%; Dec: -2.8%): surprisingly rebounded, signalling a potential turnaround, as January typically experiences weaker performance on a MoM basis.
- A relatively mixed performance among major trading partners, sectors and products**
 - By destination:** exports to major destinations exhibited mixed results. Notably, growth was boosted by a rebound in export to the US (11.9%; Dec: -5.3%), followed by the EU (6.4%; Dec: -25.5%) and Japan (2.8%; Dec: -4.7%). However, the growth was partially capped by sustained weakness in shipments to China (-7.4%; Dec: -1.5%) and Singapore (-2.6%; Dec: -25.0%).
 - By sector:** attributable to the rebound in export of manufacturing (9.3%; Dec: -10.4%) and agriculture (17.5%; Dec: -25.9%) sectors, but was partially capped by subdued export of mining (-4.9%; Dec: 9.0%) sector.
 - By product:** contributed by higher exports of petroleum products (24.2%; Dec: -22.2%), reaching a 10-month high. Nevertheless, the momentum was partially capped by the persistent weakness in export of electrical and electronics (E&E) product (-6.5%; Dec: -12.1%).
- Imports expanded sharply (18.8%; Dec: 2.9%), reaching a 15-month high, surpassing expectations (KIBB: 8.3%; consensus: 8.0%).**
 - The expansion was driven by a surge in retained imports (24.6%; Dec: 10.9%) and a rebound in re-exports (4.1%; Dec: -20.3%).
 - By category:** the strong growth was also attributable to a broad-based expansion, led by capital goods (41.8%; Dec: 23.7%), followed by consumption goods (25.46%; Dec: -0.7%) and intermediate goods (21.4%; Dec: 10.2%).
 - MoM (5.3%; Dec: -2.6%): growth rebounded, following two straight months of contraction.
- Trade surplus narrowed to a 44-month low at RM10.1b (Nov: RM12.2b), falling below expectations (KIBB: RM13.7b; consensus: RM14.0b) as imports rose more than exports**
 - Meanwhile, total trade rebounded sharply (13.3%; Dec: -4.3%), ending a tenth straight month of decline.
- 2024 export growth forecast maintain at 9.4% (2023: -8.0%) based on the expectation of a turnaround in the export of E&E and a demand recovery from China**
 - Despite projecting a growth rebound in 2024, we continue to remain cautious in our outlook due to the rising geopolitical tensions, particularly in the Middle East, which could disrupt the global supply chain and subsequently weigh on global trade activities. A slower-than-expected recovery in China may also impede the growth in the export-oriented sector.
 - Nevertheless, we still expect domestic economy to continue growing, with a projected GDP growth of 4.5% - 5.0% in 2024 (2023: 3.7%). The anticipated boost to the domestic economy due to the expected upturn in the technology cycle, particularly within the E&E sector, and China's gradual economic recovery. Additionally, strong domestic demand is also expected to contribute significantly to this positive outlook.

Graph 1: External Trade Growth



Source: Dept. of Statistics, Kenanga Research

Graph 2: Exports by Destination



Source: Dept. of Statistics, Kenanga Research

21 February 2024

Table 1: Malaysia External Trade Growth Trend

		2020	2021	2022	2023	Jan-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24
Total Trade	%YoY	25.9	38.4	1.0	-16.4	1.6	-19.9	-12.6	-2.5	-2.7	-4.3	13.3
Trade Balance	RM bil	183.3	253.7	256.2	214.1	18.1	17.2	24.4	12.9	12.2	11.7	10.1
Exports	%YoY	-1.1	26.1	24.9	-8.0	1.4	-18.7	-13.8	-4.5	-6.1	-10.1	8.7
	%MoM					-14.4	-1.5	8.1	1.4	-3.5	-2.8	3.4
Manufacturing	%YoY	1.1	25.7	22.4	-6.9	-0.3	-17.7	-11.9	-3.3	-6.7	-10.4	9.3
	Shr	86.3	86.1	84.2	85.4	84.2	85.4	86.6	85.3	84.1	83.6	84.7
Agriculture	%YoY	8.7	36.8	23.3	-22.1	-19.8	-27.2	-23.1	3.2	-6.0	-25.9	17.5
	Shr	7.3	7.9	7.8	6.6	6.2	6.6	6.5	7.1	6.9	6.9	6.7
Mining	%YoY	-28.3	18.9	67.0	-10.1	50.1	-23.3	-28.6	-22.0	-2.3	9.0	-4.9
	Shr	5.9	5.6	7.6	7.4	9.1	7.3	6.4	6.9	8.4	8.8	7.9
Others	%YoY	-40.2	11.5	51.5	26.5	-11.9	40.0	5.5	27.5	-8.5	3.8	-11.0
	Shr	0.4	0.4	0.5	0.6	0.5	0.6	0.6	0.8	0.7	0.8	0.7
Imports	%YoY	-5.8	23.3	31.0	-6.4	1.8	-21.2	-11.1	-0.3	1.5	2.9	18.8
	%MoM					-8.8	-1.6	2.1	13.3	-3.3	-2.6	5.3
Capital	%YoY	-9.4	14.4	15.8	7.2	-1.9	5.3	-6.4	8.6	51.3	23.7	41.8
	Shr	11.3	10.5	9.3	10.6	10.2	10.9	10.8	11.2	13.5	11.5	12.2
Intermediate	%YoY	-8.1	27.2	29.5	-12.1	-5.3	-22.5	-15.2	-8.1	-5.6	10.2	21.4
	Shr	53.6	55.3	54.6	51.2	51.2	52.6	49.7	49.3	51.1	56.3	52.3
Consumption	%YoY	0.0	13.2	24.0	0.1	-4.7	-5.5	-0.5	9.9	2.4	-0.7	25.4
	Shr	9.3	8.5	8.0	8.6	8.7	8.7	8.8	8.3	8.9	8.6	9.2

*Shr = share to total exports or imports.

Source: Dept. of Statistics preliminary release, Kenanga Research

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