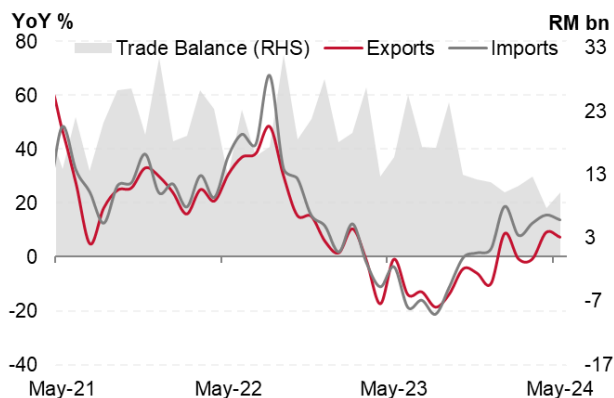


Malaysia External Trade

May exports moderate, but buoyed by turnaround in E&E sector

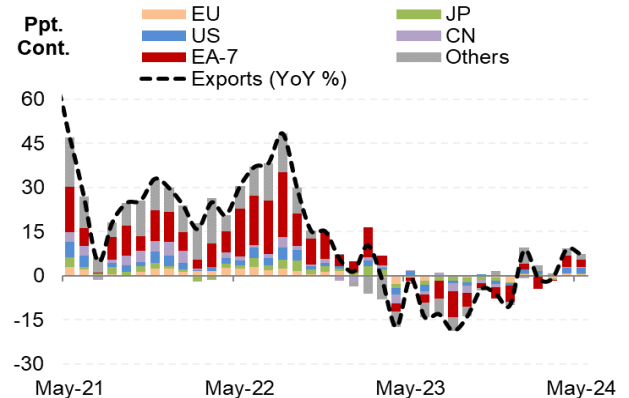
- Exports moderated slightly to 7.3% (Apr: 9.0%) in May beating market expectations (consensus: 2.3%) but below house forecast (KIBB: 13.3%)**
 - MoM (11.8%; Apr: -10.8%): rebounded sharply following a sharp rebound in the previous month.
- Higher shipments to major trading partners and positive turnaround in exports of E&E**
 - By destination:** exports to key destinations remained strong, led by sustained shipment to the US (17.4%; Apr: 17.3%) and Singapore (13.7%; Apr: 9.0%). However, exports to China moderated slightly (1.6%; Apr: 2.1%).
 - By sector:** growth was contributed by the manufacturing sector (8.3%; Apr: 7.1%), which made up of 86.2% share of total exports (Apr: 84.8%). This growth was also supported by the significant increase in the agriculture (22.1%; Apr: 13.6%) sector but was partially capped by the subdued mining (-17.2%; Apr: 27.6%) sector.
 - By major product:** mainly boosted by higher exports of Electrical & Electronic (E&E) (7.6%; Apr: 0.6%), which account for 45.4% share of total exports, and palm oil & palm-based (25.7%; Apr: 13.7%). However, the momentum was partially capped by lower export of liquefied natural gas (LNG) (-21.2%; Apr: 12.7%).
- Imports moderated in May (13.8%; Apr: 15.5%) beating market expectations (consensus: 8.4%) but lower than house projection (KIBB: 19.4%)**
 - Growth was mainly contributed by retained imports (23.0%; Apr: 24.3%) but partially weighed down by weak re-exports (-14.1%; Apr: -8.0%).
 - By category:** supported by the surge in capital goods (40.5%; Apr: 8.6%) which partially capped the moderation in intermediate goods (24.1%; Apr: 30.5%) and consumption goods (14.7%; Apr: 19.5%).
 - MoM (10.4%; Apr: -7.7%): rebounded sharply.
- Trade surplus rose to RM10.1b (Apr: RM7.7b), lower than expectations (KIBB: RM11.5b; consensus: RM10.2b)**
 - Meanwhile, total trade moderated to 10.3% YoY (Apr: 12.1%), partly due to a base effect, while MoM rebounded sharply to 11.1% (Apr: -9.3%).
- 2024 export growth forecast is maintained at 9.4% (2023: -8.0%) as growth expected to accelerate in 2H24**
 - Year-to-date, exports grew 4.5% YoY in the first five months of this year (Jan-Apr: 3.8%). We continue to expect further increases in the coming months, driven by a technology upcycle and China's gradual economic recovery. This growth will likely be supported by strong demand from regional economies and potentially better-than-expected performance from advanced economies as global central banks may lean towards monetary policy easing to support domestic demand. However, downside risks persist due to global economic uncertainty and the potential impact of escalating geopolitical tensions, including the Red Sea crisis and renewed US-China tensions.
 - With that said, we maintain our 2024 GDP growth forecast of 4.5% - 5.0% (2023: 3.7%) with the anticipation of steadier growth momentum in the 2H24. Domestic growth will be supported by the ongoing recovery in the export-oriented manufacturing sector, alongside solid domestic demand momentum. This is mainly thanks to a stable labour market condition due to robust hiring activities, continued increases in tourist arrivals and spending as well as ongoing government policy support and positive investment trends.

Graph 1: External Trade Growth



Source: Dept. of Statistics, Kenanga Research

Graph 2: Exports by Destination



Source: Dept. of Statistics, Kenanga Research

21 June 2024

Table 1: Malaysia External Trade Growth Trend

		2020	2021	2022	2023	May-23	Dec-23	Jan-24	Feb-24	Mar-24	Apr-24	May-24
Total Trade	%YoY	25.9	38.4	1.0	-16.4	-2.2	-4.3	13.3	3.2	5.1	12.1	10.3
Trade Balance	RM bil	183.3	253.7	256.2	214.1	15.7	11.7	10.2	11.2	12.7	7.7	10.1
Exports	%YoY	-1.1	26.1	24.9	-8.0	-0.9	-10.1	8.7	-0.8	-0.9	9.0	7.3
	%MoM					13.6	-2.8	3.4	-9.0	15.5	-10.8	11.8
Manufacturing	%YoY	1.1	25.7	22.4	-6.9	1.7	-10.4	9.3	-2.4	0.6	7.1	8.3
	Shr	86.3	86.1	84.2	85.4	85.4	83.6	84.7	83.6	85.2	84.8	86.2
Agriculture	%YoY	8.7	36.8	23.3	-22.1	-31.0	-25.9	17.3	-5.1	-17.4	13.6	22.1
	Shr	7.3	7.9	7.8	6.6	6.2	6.9	6.7	6.1	6.0	7.1	7.1
Mining	%YoY	-28.3	18.9	67.0	-10.1	5.9	9.0	-4.9	17.3	0.3	27.6	-17.2
	Shr	5.9	5.6	7.6	7.4	7.8	8.8	7.9	9.7	8.1	7.2	6.0
Others	%YoY	-40.2	11.5	51.5	26.5	4.6	3.8	-12.5	-12.2	11.6	25.7	-6.2
	Shr	0.4	0.4	0.5	0.6	0.6	0.8	0.7	0.6	0.6	0.9	0.7
Imports	%YoY	-5.8	23.3	31.0	-6.4	-3.7	2.9	18.7	8.0	12.5	15.5	13.8
	%MoM					12.1	-2.6	5.3	-10.8	15.7	-7.7	10.4
Capital	%YoY	-9.4	14.4	15.8	7.2	13.0	23.7	41.5	30.0	66.3	8.6	40.5
	Shr	11.3	10.5	9.3	10.6	9.5	11.5	12.2	10.2	14.0	10.3	11.8
Intermediate	%YoY	-8.1	27.2	29.5	-12.1	-13.0	10.2	21.3	13.7	10.6	30.5	24.1
	Shr	53.6	55.3	54.6	51.2	52.9	56.3	52.4	55.4	51.2	55.3	57.7
Consumption	%YoY	0.0	13.2	24.0	0.1	4.5	-0.7	25.3	19.6	1.2	19.5	14.7
	Shr	9.3	8.5	8.0	8.6	8.5	8.6	9.2	8.4	8.1	9.1	8.6

*Shr = share to total exports or imports.

Source: Dept. of Statistics preliminary release, Kenanga Research

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