

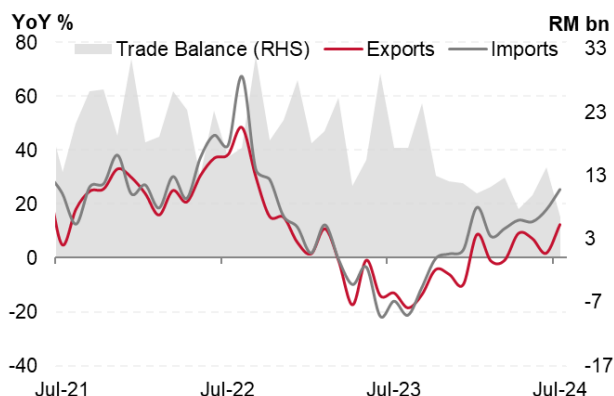
20 August 2024

# Malaysia External Trade

July exports surpass expectations, boosted by strong US demand

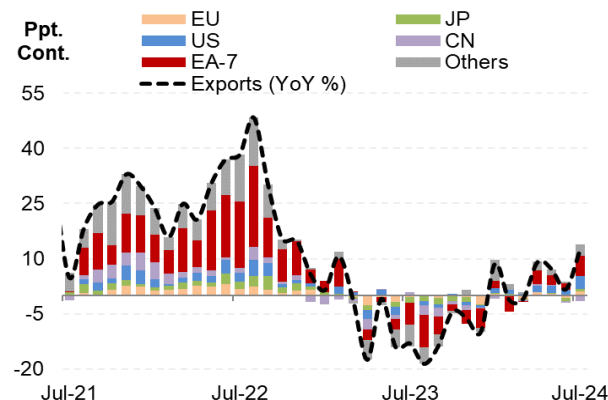
- **Exports rose sharply by 12.3% in July (Jun: 1.7%), exceeding expectations (KIBB: 5.2%; consensus: 9.0%)**
  - MoM (4.1%; Jun: -1.6%): growth rebounded, after a slight decline in the previous month.
- **Higher shipments to major trading partners, except China, as well as strong expansion in the manufacturing and agriculture sectors boosted July exports**
  - **By destination:** strong exports to key destinations were led by the US (30.9%; Jun: 14.0%), followed by Singapore (18.1%; Jun: -3.1%), the EU (14.2%; Jun: -8.2%), and Japan (11.6%; Jun: -18.6%). In contrast, exports to China (-11.4%; Jun: -2.1%) fell sharply to a 10-month low.
  - **By sector:** growth was driven by increased exports in the agriculture (32.8%; Jun: 1.6%) and manufacturing (10.6%; Jun: 0.9%) sectors. However, overall growth was partially capped by slower export in the mining (10.2%; Jun: 15.2%) sector.
  - **By major product:** higher export growth in key manufacturing products, led by machinery, equipment and parts (39.5%; Jun: 24.6%) and a rebound in petroleum products (15.6%; Jun: -7.3%). Similarly, exports of Electrical & Electronic (E&E) (2.6%; Jun: -1.6%), which accounted for 45.3% of total exports in July, also recovered slightly. This was further supported by higher exports of palm oil and palm-based products (36.3%; Jun: 0.7%).
- **Imports surged to a 21-month high (25.4%; Jun: 17.8%), beating expectations (KIBB: 13.5%; consensus: 14.4%)**
  - Higher imports were driven by increase in retained imports (37.5%; Jun: 33.1%), which hit a 23-month high, indicating strong domestic demand. However, the momentum was partially capped by a slowdown in re-exports (-5.8%; Jun: -15.2%), though the contraction eased.
  - **By category:** a broad-based expansion, led by higher imports of capital goods (44.4%; Jun: 23.6%), followed by intermediate goods (41.2%; Jun: 37.1%) and consumption goods (25.5%; Jun: 13.6%).
  - MoM (11.6%; Jun: -5.4%): imports rebounded sharply, indicating strong demand for imported goods.
- **Trade surplus, however, narrowed to its lowest level since April 2020, at RM6.4b (Jun: RM14.3b), below expectations (KIBB: RM10.0b; consensus: RM13.3b)**
  - Meanwhile, total trade accelerated to 18.3% YoY (Jun: 8.7%), while MoM rebounded by 7.6% (Jun: -3.4%).
- **We retain our 2024 export growth forecast at 7.3% (2023: -8.0%), following a slight downward revision last month**
  - In the first seven months of 2024, exports grew by 5.1% YoY, slightly higher than the YTD six-month growth of 3.9%. This reflects a gradual recovery in exports despite ongoing risks. We expect growth to pick up pace in the 2H24, driven by a low base from last year and the anticipated technology upcycle. The latest Semiconductor Industry Association (SIA) supports this outlook, showing global semiconductor sales increased by 18.3% in 2Q24 (1Q24: 15.2%) to USD149.9b, signalling a strong turnaround.
  - While we maintain an optimistic outlook on external trade, our forecast remains susceptible to downside risks. These include a slower-than-expected recovery in China's economy, with year-to-date exports to China have remained sluggish, down by 3.0%. Additionally, a potential US economic slowdown could threaten our outlook, given that current export growth has been bolstered by strong US demand, as evidenced by a 14.9% year-to-date expansion.
  - We have recently revised our 2024 GDP growth forecast to 5.0% (2023: 3.6%) from a range forecast of 4.5% - 5.0%, following a better-than-expected 2Q24 GDP growth of 5.9%. Growth is expected to moderate in the remaining quarters due to the base effect and global economic uncertainties but remain relatively strong on the back of solid domestic demand and a turnaround in exports.

Graph 1: External Trade Growth



Source: Dept. of Statistics, Kenanga Research

Graph 2: Exports by Destination



Source: Dept. of Statistics, Kenanga Research

20 August 2024

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

		2020	2021	2022	2023	Jul-23	Feb-24	Mar-24	Apr-24	May-24	Jun-24	Jul-24
Total Trade	%YoY	25.9	38.4	1.0	-16.4	-14.5	3.0	4.4	11.4	10.1	8.7	18.3
<b>Trade Balance</b>	<b>RM bil</b>	<b>183.3</b>	<b>253.7</b>	<b>256.2</b>	<b>214.1</b>	<b>17.3</b>	<b>11.2</b>	<b>12.7</b>	<b>7.7</b>	<b>10.0</b>	<b>14.3</b>	<b>6.4</b>
<b>Exports</b>	<b>%YoY</b>	<b>-1.1</b>	<b>26.1</b>	<b>24.9</b>	<b>-8.0</b>	<b>-13.1</b>	<b>-1.2</b>	<b>-0.9</b>	<b>9.1</b>	<b>7.1</b>	<b>1.7</b>	<b>12.3</b>
	%MoM					-5.8	-9.0	15.5	-10.8	11.6	-1.6	4.1
Manufacturing	%YoY	1.1	25.7	22.4	-6.9	-9.7	-2.4	0.6	7.1	8.1	0.9	10.6
	Shr	86.3	86.1	84.2	85.4	86.8	83.6	85.2	84.8	86.2	87.1	85.5
Agriculture	%YoY	8.7	36.8	23.3	-22.1	-27.8	-5.1	-17.4	13.6	21.9	1.6	32.8
	Shr	7.3	7.9	7.8	6.6	6.5	6.1	6.0	7.1	7.1	6.1	7.7
Mining	%YoY	-28.3	18.9	67.0	-10.1	-34.0	17.3	0.3	27.6	-17.2	15.2	10.2
	Shr	5.9	5.6	7.6	7.4	6.2	9.7	8.1	7.2	6.0	6.3	6.1
Others	%YoY	-40.2	11.5	51.5	26.5	-38.6	-12.2	11.6	25.7	-6.8	-20.4	29.3
	Shr	0.4	0.4	0.5	0.6	0.4	0.6	0.6	0.9	0.7	0.6	0.7
<b>Imports</b>	<b>%YoY</b>	<b>-5.8</b>	<b>23.3</b>	<b>31.0</b>	<b>-6.4</b>	<b>-16.1</b>	<b>8.0</b>	<b>10.9</b>	<b>14.0</b>	<b>13.4</b>	<b>17.8</b>	<b>25.4</b>
	%MoM					4.8	-10.8	15.7	-7.7	10.4	-5.4	11.6
Capital	%YoY	-9.4	14.4	15.8	7.2	-4.3	29.9	66.3	8.6	40.3	23.6	44.4
	Shr	11.3	10.5	9.3	10.6	10.5	10.2	14.0	10.3	11.8	10.7	12.1
Intermediate	%YoY	-8.1	27.2	29.5	-12.1	-20.8	13.7	7.6	27.0	23.4	37.1	41.2
	Shr	53.6	55.3	54.6	51.2	49.2	55.4	51.2	55.3	57.7	54.4	55.4
Consumption	%YoY	0.0	13.2	24.0	0.1	2.8	19.6	1.0	19.5	14.8	13.6	25.5
	Shr	9.3	8.5	8.0	8.6	8.8	8.4	8.1	9.1	8.6	8.3	8.8

\*Shr = share to total exports or imports.

Source: Dept. of Statistics preliminary release, Kenanga Research

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