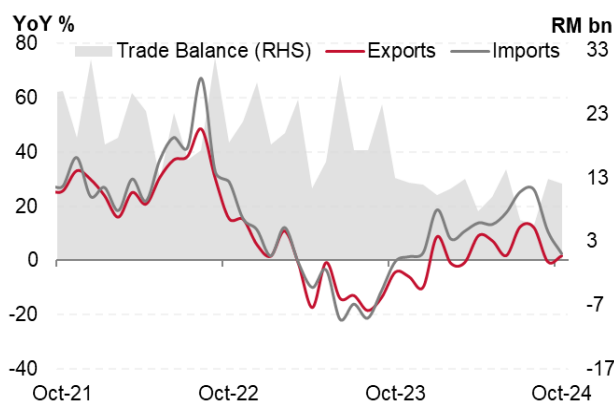


Malaysia External Trade

October exports rebounded on strong demand from the US

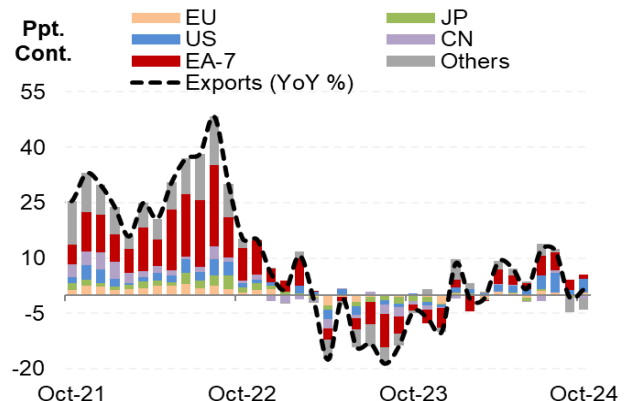
- **Exports rebounded by 1.6% (Sep: -0.6%), beating house forecast (-1.6%) but below consensus (2.5%)**
 - MoM (3.7%; Sep: -4.2%): growth rebounded after two months of decline.
- **Higher exports to the US and recovery in manufacturing products**
 - **By destination:** chiefly led by an export surge to the US (32.5%; Sep: 9.1%) and a rebound in exports to Singapore (5.6%; Sep: -1.1%). However, exports to China (-6.5%; Sep: -2.9%) remained weak for the second consecutive month.
 - **By sector:** led by a modest rebound in manufacturing exports (1.9%; Sep: -0.5%). However, persistent weakness in mining (-12.1%; Sep: -13.5%) and a slowdown in agriculture (8.9%; Sep: 10.8%) capped overall growth.
 - **By major product:** driven by expansion in key products, such as electrical and electronics (E&E) (7.6%; Sep: 0.5%), palm oil and palm-based products (11.9%; Sep: 11.1%) and liquefied natural gas (8.9%; Sep: 3.5%).
- **Imports slowed sharply (2.6%; Sep: 10.9%), below consensus (4.0%) but higher than house expectations (-1.1%)**
 - **Drivers:** sharp moderation in retained imports (4.8%; Sep: 20.5%) and a persistent decline in re-exports (-3.5%; Sep: -14.4%)
 - **By category:** slower growth due to a sharp decline in capital goods (-2.7%; Sep: 56.3%) and a slowdown in intermediate goods (12.3%; Sep: 18.0%). Meanwhile, capital goods (3.0%; Sep: 0.3%) slightly expanded.
 - MoM (4.8%; Sep: -10.3%): rebounded after two consecutive months of decline and the highest in three months.
- **Trade surplus narrowed slightly to RM12.0b (Sep: RM12.8b), a tad lower than house expectations of RM12.1b, but higher than consensus of RM10.0b**
 - Meanwhile, total trade slowed to 2.1% YoY (Sep: 4.5%), but MoM rebounded by 4.0% MoM (Sep: -7.2%) after two straight months of decline.
- **2024 export growth forecast retained at 4.9% (2023: -8.0%) and is projected to moderate by 3.5% next year**
 - Export growth reached 4.8% YoY in the first 10 months of this year, slightly lower than our full-year growth target. Looking ahead, growth is expected to accelerate in the remaining months, banking on the global tech cycle, rising AI demand, and stronger-than-expected US demand.
 - Exports to the US rose 19.2% YoY in the first 10 months, offsetting China's 2.6% decline. The US is now Malaysia's largest export destination with a 14.8% share, followed by Singapore (14.7%) and China (12.5%). While China has introduced stimulus measures, its path to sustainable recovery remains uncertain given that its 3Q24 growth slowed to 4.6% (2Q24: 4.7%)
 - A renewed US-China trade war under the Trump presidency poses risks but may benefit Malaysia through trade and investment diversion. Nevertheless, near term frontloading activity ahead of Trump's tariff threat could spark a surge in trade and global shipping volumes.
 - Despite a potential boom in the manufacturing sector, we maintain 4Q24 GDP growth forecast at 4.6% (3Q24: 5.3%), reflecting seasonal factors that typically slow quarterly growth. This will bring the 2024 GDP growth forecast to settle at 5.0% (2023: 3.6%), and we project it to moderate to 4.8% in 2025 as the economy normalises.

Graph 1: External Trade Growth



Source: Dept. of Statistics, Kenanga Research

Graph 2: Exports by Destination



Source: Dept. of Statistics, Kenanga Research

20 November 2024

Table 1: Malaysia External Trade Growth Trend

		2020	2021	2022	2023	Oct-23	May-24	Jun-24	Jul-24	Aug-24	Sep-24	Oct-24
Total Trade	%YoY	25.9	38.4	1.0	-16.4	-2.5	10.1	8.7	18.3	18.5	4.5	2.1
Trade Balance	RM bil	183.3	253.7	256.2	214.1	13.0	10.0	14.3	6.4	5.5	12.8	12.0
Exports	%YoY	-1.1	26.1	24.9	-8.0	-4.4	7.1	1.7	12.3	12.0	-0.6	1.6
	%MoM					1.5	11.6	-1.6	4.0	-1.6	-4.2	3.7
Manufacturing	%YoY	1.1	25.7	22.4	-6.9	-3.3	8.1	0.9	10.6	14.0	-0.5	1.9
	Shr	86.3	86.1	84.2	85.4	85.2	86.2	87.1	85.5	86.8	86.6	85.4
Agriculture	%YoY	8.7	36.8	23.3	-22.1	3.7	21.9	1.6	32.5	19.3	10.8	8.9
	Shr	7.3	7.9	7.8	6.6	7.1	7.1	6.1	7.7	7.1	7.3	7.6
Mining	%YoY	-28.3	18.9	67.0	-10.1	-21.6	-17.2	15.2	10.2	-16.3	-13.5	-12.1
	Shr	5.9	5.6	7.6	7.4	7.0	6.0	6.3	6.1	5.6	5.6	6.0
Others	%YoY	-40.2	11.5	51.5	26.5	27.8	-6.8	-20.4	28.7	-23.8	2.2	64.0
	Shr	0.4	0.4	0.5	0.6	0.8	0.7	0.6	0.7	0.6	0.6	0.9
Imports	%YoY	-5.8	23.3	31.0	-6.4	-0.3	13.4	17.8	25.4	26.2	10.9	2.6
	%MoM					13.3	10.4	-5.4	11.6	-1.0	-10.3	4.8
Capital	%YoY	-9.4	14.4	15.8	7.2	8.6	40.3	23.6	44.3	39.4	56.3	-2.7
	Shr	11.3	10.5	9.3	10.6	11.2	11.8	10.7	12.1	12.1	15.3	10.6
Intermediate	%YoY	-8.1	27.2	29.5	-12.1	-8.1	23.4	37.1	41.3	40.5	18.0	12.3
	Shr	53.6	55.3	54.6	51.2	49.3	57.7	54.4	55.4	58.6	53.0	53.9
Consumption	%YoY	0.0	13.2	24.0	0.1	9.9	14.8	13.6	25.5	21.2	0.3	3.0
	Shr	9.3	8.5	8.0	8.6	8.3	8.6	8.3	8.8	8.4	7.9	8.3

*Shr = share to total exports or imports.

Source: Dept. of Statistics preliminary release, Kenanga Research

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