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ECONOMICS

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Malaysia – Returns to trade surplus

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AmBank Research

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Malaysia

Returns to trade surplus

The Covid-19 pandemic, which caused major disruptions to the global supply chain, has dragged both exports and imports. The poor showing is expected as most countries around the world were under some form of lockdown to contain the spread of Covid-19, and this has caused major disruptions to manufacturing activities and the movement of goods globally.

Looking ahead, there are signs that exports could improve partly due to the government having allowed more industries to resume operations with some at full operating capacity since 4 May 2020. At the same time, support should come from the modest recovery in semiconductors. Besides, companies in other countries are also ramping up their business operations. This is reflected in the improvement in May's PMI which acts as an early indication that the economic downturn caused by the Covid-19 pandemic could start to bottom out.

- Following a blip into a trade deficit of RM3.5bil in April which ended a streak of 269 consecutive months of surplus, trade performance in May returned to a surplus of RM10.4 billion. The surplus was due to a slower pace of decline in exports, which slid by 25.5% y/y to RM62.7 billion compared to imports which fell by 30.4% y/y to RM52.3 billion. This brings the average exports and imports for the first five months of 2020 to -8.8% y/y and -6.4% y/y, respectively.
- Exports of manufactured goods shrank 23.5% y/y from -13.8% y/y in April. The drag on manufactured exports was a result of the poor performance from E&E products, petroleum products, manufactures of metal, chemical and chemical products and machinery, equipment and parts.
- However, exports of rubber products especially rubber gloves registered a double-digit growth for two consecutive months — up 20.5% or RM461mil in May 2020. It benefitted from the pandemic.
- Agriculture exports contracted by 21.3% y/y from -13.8% y/y in April. It was dragged by sawn timber and moulding, sawlog, natural rubber, palm oil and palm oil-based products and other agriculture products. Meanwhile, mining exports dived by 49.1% y/y from -31.6% y/y in April, weighed down by the slower demand of crude petroleum.
- Imports fell across the board. Capital goods declined markedly by 27.8% y/y from +68.9% y/y in April due mainly to lower imports of capital goods (except transport equipment), particularly machinery, mechanical appliances and parts.

- Intermediate goods dropped by 27.8% y/y from -30.6% y/y in April due to lower imports of processed industrial supplies, particularly plastics and articles. Meanwhile, consumption goods tumbled by 21.9% y/y compared to -12.1% y/y in April on account of lower imports of semi-durable goods, particularly footwear.
- The Covid-19 pandemic, which caused major disruptions to the global supply chain, has dragged both exports and imports. The poor showing of exports and imports is expected as most countries around the world were under some form of lockdown to contain the spread of Covid-19, and this has caused major disruptions to manufacturing activities and the movement of goods globally.
- Looking ahead, there are signs that exports could improve partly due to the government having allowed more industries to resume operations with some at full operating capacity since 4 May 2020. At the same time, support should come from the modest recovery in semiconductors. Besides, companies in other countries are also ramping up their business operations. This is reflected in the improvement in May's PMI which acts as an early indication that the economic downturn caused by the Covid-19 pandemic could start to bottom out.

Table 1: Key External Trade Data YoY (%)

	May'19	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan'20	Feb	Mar	Apr	May
X y/y (RM)	1.5	-3.4	1.7	-0.8	-6.7	-6.7	-5.5	2.7	-1.5	11.8	-4.7	-23.9	-25.5
M y/y (RM)	1.4	-9.8	-6.0	-12.5	2.4	-8.7	-3.6	1.0	-2.4	11.3	-2.7	-8.0	-30.4
X y/y (USD)	-3.5	-7.2	-0.1	-3.0	-7.7	-7.4	-4.8	3.2	-0.6	9.5	-9.5	-28.1	-28.4
M y/y (USD)	-3.7	-13.3	-7.7	-14.5	1.3	-9.4	-3.0	1.5	-1.5	9.0	-7.6	-13.0	-33.1
X-M RM bil	9.1	10.5	14.3	10.9	8.4	17.3	6.6	12.5	12.0	12.6	12.3	-3.6	10.4
X-M US\$ bil	2.2	2.5	3.5	2.6	2.0	4.1	1.6	3.0	3.0	3.0	2.9	-0.8	2.4

Source: CEIC/AmBank Research

Table 2: Imports by End Use & BEC, Value (RM billion) and Annual Change (%)

End Use & BEC Classification	Value RM bil (CIF)				Annual Change (%)		Value RM bil (CIF)		
	May-19	Apr-20	May-20	Share %	Val RMb (CIF)	%	J-May 2019	J-May 2020	% Share
Capital goods	9.2	15.0	6.7	12.7	-2.6	-27.8	42.0	39.1	12.1
Consumption goods	6.6	5.8	5.2	9.9	-1.5	-21.9	30.2	28.8	8.9
Dual use goods	3.7	0.5	0.5	1.0	-3.2	-85.5	15.0	7.2	2.2
Goods n.e.s.	0.1	0.2	0.2	0.4	0.1	64.3	0.6	0.8	0.2
Intermediate goods	42.6	28.3	30.8	58.9	-11.9	-27.8	190.7	175.1	54.3
Transaction below RM5,000	0.2	0.1	0.1	0.3	-0.1	-31.4	0.9	0.7	0.2
Retain Imports	62.6	49.8	43.5	83.3	-19.0	-30.4	279.4	251.7	78.1
Re-export	12.5	18.6	8.8	16.7	-3.8	-30.0	69.1	70.7	21.9
Gross Imports	75.1	68.4	52.3	100.0	-22.8	-30.4	348.5	322.4	100.0

Source: DOS/AmBank Research

Table 3: Exports' Performance of Major Sectors YoY (%)

	May'19	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan'20	Feb	Mar	Apr	May
E&E	0.6	-6.5	4.5	-7.4	-12.2	-3.2	-11.6	-5.4	-5.5	-2.7	-13.9	-21.7	-19.9
Petroleum Products	-15.5	6.9	3.2	7.7	-14.7	-27.2	-19.0	34.9	62.0	21.7	44.3	-22.2	-46.7
LNG	-10.0	6.1	31.3	-11.2	-1.8	-17.1	-35.9	-21.3	-22.8	7.1	-13.4	-20.5	-30.7
Palm Oil & Palm Oil Based	19.0	4.1	-15.6	26.8	-9.8	-9.5	-2.7	34.6	0.1	16.5	-2.4	-2.5	-15.6
Rubber Product	-0.7	4.1	19.1	-3.1	-8.2	-6.6	-10.3	4.8	-8.0	26.2	-15.1	-27.4	20.5

Source: CEIC/AmBank Research

Table 4: Electrical & Electronics Products YoY (%)

	May'19	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan'20	Feb	Mar	Apr	May
E&E Products	0.6	-6.5	4.5	-7.4	-12.2	-3.2	-11.6	-5.4	-5.5	-2.7	-13.9	-21.7	-19.9
Telecommunications	4.8	13.6	27.0	4.4	0.2	3.4	-15.7	-0.6	-7.0	3.1	-10.8	-28.4	-10.4
Thermionic Valves & Tubes	2.0	-1.3	11.2	-4.0	-11.9	1.0	-12.0	-0.9	-1.9	-1.5	-3.5	-3.8	-18.7

Source: CEIC/AmBank Research

Table 5: Major Exports Markets YoY (%)

	May'19	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan'20	Feb	Mar	Apr	May
China	-1.6	-10.7	3.8	-2.8	-3.0	-11.0	4.1	17.8	-5.6	11.0	-6.1	4.2	4.5
Singapore	-2.7	-1.2	3.5	-7.2	-11.6	4.1	-11.9	-2.7	1.1	22.5	8.6	-16.3	-21.9
US	11.7	8.4	7.9	6.8	6.6	2.7	6.5	15.1	9.5	25.5	-3.6	-31.1	-9.3
Hong Kong	3.2	-25.2	2.5	-15.4	-26.5	0.1	-21.1	-18.1	-14.0	1.0	-12.6	-8.2	-23.5
Japan	6.3	-13.6	-6.3	2.5	-1.7	-20.1	-16.0	-14.0	-1.6	3.7	-0.5	-28.4	-33.0
Thailand	7.3	-4.4	-2.4	-8.4	-4.3	-18.2	-14.6	-7.3	-19.8	-12.3	-37.4	-37.9	-40.0
Taiwan	7.1	21.1	50.3	-21.3	8.5	11.6	-11.3	27.6	3.9	20.9	-3.9	-22.1	-27.0
ROK	-2.5	-3.6	4.9	-9.2	0.0	-5.5	-17.5	1.5	2.9	51.6	11.8	-2.7	-6.6
Vietnam	5.8	-17.1	6.4	24.7	-5.4	-1.9	-11.0	12.2	-16.7	14.5	-31.4	-37.0	-34.1

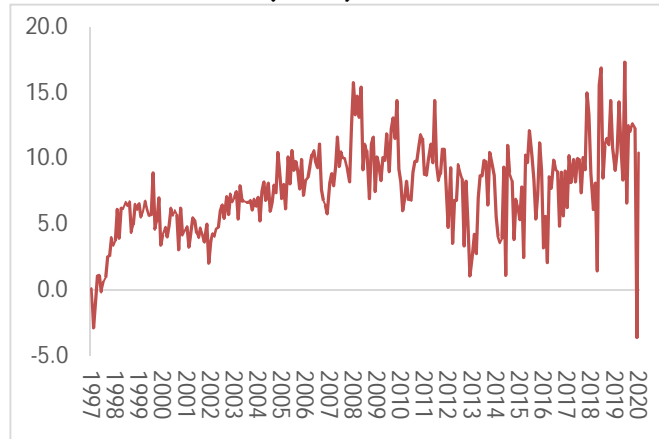
Source: CEIC/AmBank Research

Table 6: Exports by Sector and Sub Sector (RM million)

	Value RM Million (FOB)				Annual Change		Value RM Million (FOB)		% Share
	May-19	Apr-20	May-20	Share %	Val RM Million (FOB)	%	J-May 2019	J-May 2020	
Manufacturing	70,858	55,375	54,214	86.5	-16,644	-23.5	340,199	311,361	85.0
Electrical & Electronic Products (E&E)	29,346	25,906	23,501	43.3	-5,845	-19.9	153,793	133,820	43.0
Petroleum Products	6,874	5,287	3,941	7.3	-2,933	-42.7	29,120	28,713	9.2
Chemical And Chemical Products	4,859	3,889	3,684	6.8	-1,175	-24.2	23,748	20,910	6.7
Optical & Scientific Equipment	3,027	2,196	2,684	5.0	-343	-11.3	15,123	14,407	4.6
Other Manufactures	2,764	2,283	2,856	5.3	92	3.3	12,360	14,371	4.6
Machinery, Equipment And Parts	3,800	1,645	2,674	4.9	-1,126	-29.6	17,070	14,259	4.6
Manufacture Of Metal	4,064	1,663	2,627	4.8	-1,437	-35.4	17,116	13,166	4.2
Rubber Products	2,244	2,448	2,705	5.0	461	20.5	10,698	12,040	3.9
Iron And Steel Products	2,090	2,128	1,679	3.1	-411	-19.7	7,484	9,705	3.1
Transport Equipment	1,636	1,600	790	1.5	-846	-51.7	7,198	8,918	2.9
Palm Oil-Based Manufactured Products	1,940	1,613	1,608	3.0	-332	-17.1	8,900	8,677	2.8
Processed Food	1,904	1,475	1,533	2.8	-371	-19.5	8,533	8,177	2.6
Wood Products	1,339	641	916	1.7	-423	-31.6	6,299	5,458	1.8
Manufacture Of Plastics	1,260	860	996	1.8	-264	-20.9	6,034	5,234	1.7
Textiles, Apparels And Footwear	1,378	643	824	1.5	-554	-40.2	6,434	5,172	1.7
Non-Metallic Mineral Products	751	406	449	0.8	-302	-40.2	3,307	3,156	1.0
Paper & Pulp Products	548	440	489	0.9	-59	-10.8	2,398	2,582	0.8
Jewellery	715	86	94	0.2	-621	-86.8	3,086	1,585	0.5
Beverages & Tobacco	320	165	163	0.3	-157	-49.1	1,499	1,011	0.3
Agriculture	6,276	4,703	4,936	7.9	-1,339	-21.3	27,317	25,421	6.9
Palm Oil and Palm-Based Products	4,269	3,435	3,605	73.0	-664	-15.6	18,074	17,885	70.4
Natural Rubber	353	244	196	4.0	-156	-44.3	1,501	1,301	5.1
Sawn Timber & Moulding	404	97	164	3.3	-240	-59.5	1,888	1,118	4.4
Other Vegetables Oil	235	175	246	5.0	12	4.9	1,252	1,077	4.2
Seafood, fresh, chilled or frozen	186	183	197	4.0	11	5.8	884	897	3.5
Sawlog	102	32	16	0.3	-86	-84.2	374	200	0.8
Other Agriculture	727	538	512	10.4	-216	-29.6	3,343	2,944	11.6
Mining	6,315	4,556	3,215	5.1	-3,100	-49.1	34,941	27,447	7.5
Liquefied Natural Gas (LNG)	2,965	2,858	2,056	63.9	-909	-30.7	18,740	15,620	56.9
Crude Petroleum	2,483	1,252	770	24.0	-1,712	-69.0	11,147	8,202	29.9
Metalliferous Ores and Metal Scrap	343	284	136	4.2	-206	-60.2	2,680	2,087	7.6
Tin	138	119	159	4.9	21	14.8	901	565	2.1
Crude Fertilizers And Crude Minerals	103	33	57	1.8	-45	-44.1	456	487	1.8
Condensates and other petroleum oil	283	10	36	1.1	-248	-87.4	1,012	479	1.7
Other Mining	1	0	1	0.0	0	51.7	5	8	0.0
Others	689	153	320	10.0	-369	-53.5	2,898	1,928	7.0
Total Exports	84,138	64,787	62,686	100.0	-21,452	-25.5	405,356	366,157	100.0

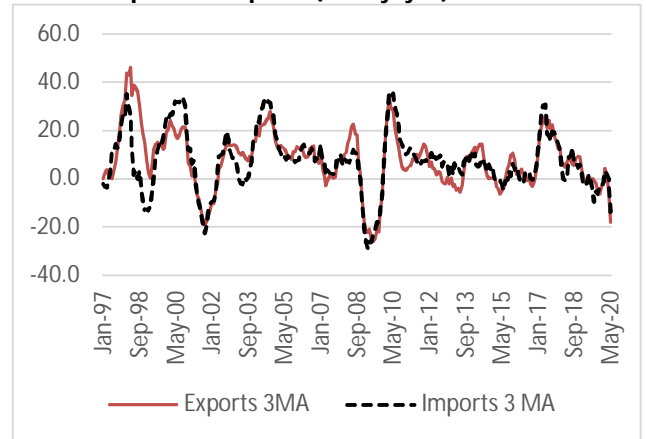
Source: DOS/AmBank Research

Chart 1: Trade Balance (RM bil)



Source: CEIC/AmBank Research

Chart 2: Exports & Imports (3MA y/y %)



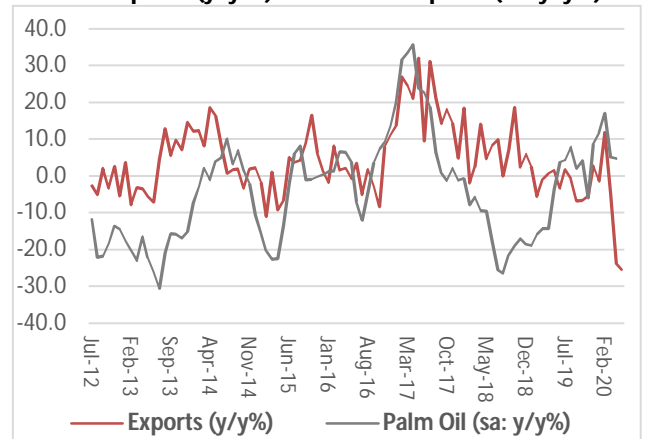
Source: CEIC/AmBank Research

Chart 3: Exports to US & China (sa: y/y %)



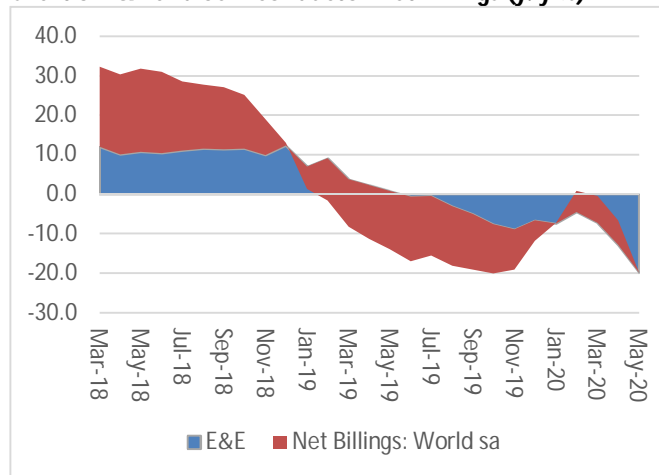
Source: CEIC/AmBank Research

Chart 4: Exports (y/y %) & Palm Oil Exports (sa: y/y %)



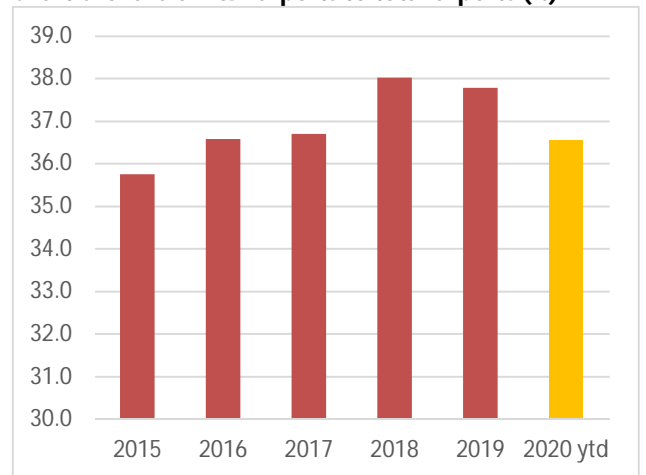
Source: CEIC/AmBank Research

Chart 5: E&E and Semiconductor Net Billings (y/y %)



Source: CEIC/AmBank Research

Chart 6: Share of E&E exports to total exports (%)



Source: CEIC/AmBank Research

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