

29 July 2020



# ECONOMICS

**In this report:**

**Malaysia – Low base, easing of MCO result in record trade surplus**

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AmBank Research

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## Malaysia

### Low base, easing of MCO result in record trade surplus

The surprisingly strong trade surplus of RM20.9 billion was largely supported by two factors namely a favourable base factor and the easing of the movement control order (MCO) which boosts trade. In June, exports grew by 8.8% y/y attributed to the strong E&E, machinery and appliances, rubber-related products and palm oil as well as palm oil-based products.

However, the trade strength looks transitory. Much depends on the sustainability of demand and the growing risk of a second wave of Covid-19 cases that can continue to weigh on exports. Besides, the base effect is poised to become unfavourable. It is likely to cause a sharply negative turn in export growth. The same can be expected for imports while domestic demand continues to take a beating from the virus.

Although trade surplus doubled to RM20.9 billion in June from RM10.4 billion in May, the cumulative surplus in 1H2020 of RM64.6 billion was RM2.7 billion lower from a year ago. It implies a narrowing trend in play for the year.

- June's trade figures showed our exports rebounded surprisingly strong. It grew by 8.8% y/y, beating the consensus' 10% y/y contraction and a marked improvement from a 25.5% y/y crash in May. And with imports contracting at a slower pace by 5.6% y/y after shrinking by 30.4% y/y in May, trade surplus in June recorded a whopping RM20.9 billion, the highest since 1984 and compared to May's RM10.4 billion.
- Looking at the data, there were two factors that supported a strong trade performance. First, it is driven by a more favourable base year effect. And the other is a clawback from the slump during the Covid-19 MCO, which was further relaxed in June.
- Looking at the main export sectors, electrical and electronic exports expanded by 16% y/y and 38% m/m, benefitting from the improvement in global semiconductor sales.
- And the other big sector that supported exports was machinery and appliances which also posted strong gains, at 29% y/y and 56% m/m. Also, rubber-related posted a growth of 101% y/y and 31.9% m/m.

- Higher palm oil and palm oil-based exports, up 45.4% y/y from -15.6% y/y, benefitted from firmer crude palm oil prices that increased by 13.3% m/m to RM2,437 in June. Besides, exports of palm oil to India surged over 300% m/m to 246K tonnes in June from 55K tonnes in May.
- On the downside, the oil-related products (liquefied natural gas and petroleum products) fell 21% y/y impacted by lower crude price even as exports were up 11% m/m.
- Just like exports, the base effect and easing of the MCO assisted the sharp improvement in import performance in June, to -5.6% y/y from -30.4% in the previous month (cons: -13.1%). They were up 19% m/m.
- Details of imports showed capital and consumer goods rising 2.8% y/y and 9.0% y/y in June and 10.4% and 17.4% m/m. Intermediate imports fell 10.8% y/y but climbed 10.7% m/m.
- By destination, shipments to key markets of the US, China and Japan had a strong run on both y/y and m/m basis.
- However, the trade strength looks transitory. Much depends on the sustainability of demand and the growing risk of a second wave of Covid-19 cases that can continue to weigh on exports.
- Besides, the base effect is poised to become unfavourable. It is likely to cause a sharply negative turn in export growth. The same can be expected for imports, as these largely feed into processing for imports, while domestic demand continues to take a beating from the virus.
- Although trade surplus doubled to RM20.9 billion in June from RM10.4 billion in May, the cumulative surplus in 1H2020 of RM64.6 billion was RM2.7 billion lower from a year ago. It implies a narrowing trend in play for the year.

**Table 1: Key External Trade Data YoY (%)**

	Jun'19	Jul	Aug	Sep	Oct	Nov	Dec	Jan'20	Feb	Mar	Apr	May	Jun
X y/y (RM)	-3.4	1.7	-0.8	-6.7	-6.7	-5.5	2.7	-1.5	11.8	-4.7	-23.9	-25.5	8.8
M y/y (RM)	-9.8	-6.0	-12.5	2.4	-8.7	-3.6	1.0	-2.4	11.3	-2.7	-8.0	-30.4	-5.6
X y/y (USD)	-7.2	-0.1	-3.0	-7.7	-7.4	-4.8	3.2	-0.6	9.5	-9.5	-28.1	-28.4	6.0
M y/y (USD)	-13.3	-7.7	-14.5	1.3	-9.4	-3.0	1.5	-1.5	9.0	-7.6	-13.0	-33.1	-8.1
X-M RMbn	10.5	14.3	10.9	8.4	17.3	6.6	12.5	12.0	12.6	12.3	-3.6	10.4	20.9
X-M US\$bn	2.5	3.5	2.6	2.0	4.1	1.6	3.0	3.0	3.0	2.9	-0.8	2.4	4.9

Source: CEIC/AmBank Research

**Table 2: Imports by End Use YoY (%)**

	Jun'19	Jul	Aug	Sep	Oct	Nov	Dec	Jan'20	Feb	Mar	Apr	May	Jun
Imports	-9.8	-6.0	-12.5	2.4	-8.7	-3.6	1.0	-2.4	11.3	-2.7	-8.0	-30.4	-5.6
Capital Import	-24.5	-14.0	-30.9	7.0	-11.5	-4.4	-11.0	-14.8	-16.9	-48.1	68.9	-27.9	2.8
Intermediate Import	-3.6	-3.4	-13.8	11.1	-5.1	1.8	6.2	3.7	20.4	2.2	-30.6	-27.8	-10.8
Consumption Import	-5.6	-5.0	-12.8	15.1	-5.0	1.9	3.2	-1.0	10.2	7.0	-12.1	-21.9	9.0
Re-exports	-21.7	-3.9	-0.3	-22.4	-10.2	-18.4	-0.3	-6.7	-6.3	13.4	38.2	-30.1	5.3

Source: DOS/CEIC/AmBank Research

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

	Jun'19	Jul	Aug	Sep	Oct	Nov	Dec	Jan'20	Feb	Mar	Apr	May	Jun
E&E	-6.5	4.5	-7.4	-12.2	-3.2	-11.6	-5.4	-5.5	-2.7	-13.9	-21.7	-19.9	15.9
Petroleum Products	6.9	3.2	7.7	-14.7	-27.2	-19.0	34.9	62.0	21.7	44.3	-22.2	-46.7	-26.0
LNG	6.1	31.3	-11.2	-1.8	-17.1	-35.9	-21.3	-22.8	7.1	-13.4	-20.5	-30.7	-24.5
Palm Oil & Palm Oil Based	4.1	-15.6	26.8	-9.8	-9.5	-2.7	34.6	0.1	16.5	-2.4	-2.5	-15.6	45.4

Source: MATRADE/DOS/AmBank Research

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**AmBank Research****Wednesday, 29 July 2020****Table 4: Major Exports Markets YoY (%)**

	Jun'19	Jul	Aug	Sep	Oct	Nov	Dec	Jan'20	Feb	Mar	Apr	May	Jun
China	-10.7	3.8	-2.8	-3.0	-11.0	4.1	17.8	-5.6	11.0	-6.1	4.2	4.5	46.8
Singapore	-1.2	3.5	-7.2	-11.6	4.1	-11.9	-2.7	1.1	22.5	8.6	-17.4	-21.9	3.7
US	8.4	7.9	6.8	6.6	2.7	6.5	15.1	9.5	25.5	-3.6	-31.1	-9.3	27.6
Hong Kong	-25.2	2.5	-15.4	-26.5	0.1	-21.1	-18.1	-14.0	1.0	-12.6	-8.2	-23.5	31.0
Japan	-13.6	-6.3	2.5	-1.7	-20.1	-16.0	-14.0	-1.6	3.7	-0.5	-28.4	-33.0	9.8
Thailand	-4.4	-2.4	-8.4	-4.3	-18.2	-14.6	-7.3	-19.8	-12.3	-37.4	-38.0	-40.0	-10.2
Taiwan	21.1	50.3	-21.3	8.5	11.6	-11.3	27.6	3.9	20.9	-3.9	-22.1	-27.0	1.1
ROK	-3.6	4.9	-9.2	0.0	-5.5	-17.5	1.5	2.9	51.6	11.8	-2.7	-6.6	-3.0
Vietnam	-17.1	6.4	24.7	-5.4	-1.9	-11.0	12.2	-16.7	14.5	-31.4	-37.0	-34.1	21.7
Indonesia	-4.8	-11.2	10.3	-11.8	-3.1	10.8	42.1	10.8	21.6	100.5	-2.3	-37.5	-4.1

Source: CEIC/DOS/AmBank Research

**Table 5: Exports by Sector and Sub Sector (RM million)**

Sector and Sub-Sector	Value RM Million (FOB)			Share (%)	Annual Change (%)		Value RM Million (FOB)		
	June 2019	May 2020	June 2020		Val RM Million (FOB)	%	Jan-June 2019	Jan-June 2020	Share (%)
<b>MANUFACTURING</b>	<b>63,763</b>	<b>54,208</b>	<b>72,484</b>	<b>87.5</b>	<b>8,720.9</b>	<b>13.7</b>	<b>403,962</b>	<b>383,839</b>	<b>85.5</b>
Electrical & Electronic Products (E&E)	28,082	23,502	32,553	44.9	4,470.4	15.9	181,875	166,373	43.3
Petroleum Products	6,081	3,941	4,497	6.2	-1,583.9	-26.0	35,200	33,210	8.7
Chemical And Chemical Products	4,573	3,684	4,305	5.9	-268.3	-5.9	28,322	25,215	6.6
Machinery, Equipment And Parts	3,237	2,676	4,188	5.8	951.4	29.4	20,306	18,449	4.8
Optical & Scientific Equipment	2,793	2,684	3,787	5.2	993.6	35.6	17,916	18,193	4.7
Manufacture Of Metal	3,366	2,627	3,681	5.1	315.3	9.4	20,482	16,847	4.4
Rubber Products	1,774	2,705	3,567	4.9	1,792.7	101.0	12,472	15,608	4.1
Iron And Steel Products	1,530	1,676	1,893	2.6	362.7	23.7	9,014	11,595	3.0
Palm Oil-Based Manufactured Products	1,812	1,608	1,782	2.5	-29.2	-1.6	10,711	10,459	2.7
Transport Equipment	1,255	790	1,290	1.8	34.9	2.8	8,453	10,207	2.7
Processed Food	1,618	1,533	1,828	2.5	209.7	13.0	10,151	10,005	2.6
Wood Products	1,019	916	1,387	1.9	368.2	36.1	7,318	6,845	1.8
Manufacture Of Plastics	1,181	996	1,195	1.6	14.0	1.2	7,214	6,429	1.7
Textiles, Apparels And Footwear	1,212	824	1,098	1.5	-114.3	-9.4	7,646	6,270	1.6
Non-Metallic Mineral Products	673	449	624	0.9	-48.1	-7.2	3,979	3,781	1.0
Paper & Pulp Products	476	489	605	0.8	128.4	26.9	2,875	3,187	0.8
Jewellery	546	94	128	0.2	-417.9	-76.5	3,632	1,713	0.4
Beverages & Tobacco	253	163	203	0.3	-49.2	-19.5	1,752	1,214	0.3
Other Manufactures	2,282	2,851	3,873	5.3	1,590.6	69.7	14,643	18,239	4.8
<b>AGRICULTURE</b>	<b>4,822</b>	<b>4,936</b>	<b>6,271</b>	<b>7.6</b>	<b>1,448.4</b>	<b>30.0</b>	<b>32,139</b>	<b>31,692</b>	<b>7.1</b>
Palm Oil and Palm-Based Products	3,220	3,605	4,682	74.7	1,461.6	45.4	21,294	22,567	71.2
Natural Rubber	344	196	213	3.4	-130.0	-37.9	1,845	1,514	4.8
Sawn Timber & Moulding	271	164	273	4.4	1.6	0.6	2,160	1,391	4.4
Other Vegetables Oil	205	246	219	3.5	14.3	7.0	1,457	1,296	4.1
Seafood, fresh, chilled or frozen	156	197	209	3.3	52.5	33.5	1,040	1,106	3.5
Sawlog	34	16	39	0.6	5.7	16.9	408	239	0.8
Other Agriculture	592	512	634	10.1	42.6	7.2	3,935	3,578	11.3
<b>MINING</b>	<b>6,962</b>	<b>3,215</b>	<b>3,785</b>	<b>4.6</b>	<b>-3,177.3</b>	<b>-45.6</b>	<b>41,903</b>	<b>31,232</b>	<b>7.0</b>
Liquefied Natural Gas (LNG)	2,886	2,056	2,180	57.6	-705.9	-24.5	21,626	17,800	57.0
Crude Petroleum	3,128	770	912	24.1	-2,216.2	-70.9	14,275	9,114	29.2
Metalliferous Ores and Metal Scrap	564	136	447	11.8	-117.5	-20.8	3,244	2,533	8.1
Tin	98	159	122	3.2	24.5	25.0	999	687	2.2
Crude Fertilizers And Crude Minerals	96	57	86	2.3	-10.4	-10.8	553	573	1.8
Condensates and other petroleum oil	189	36	36	0.9	-153.2	-81.1	1,201	515	1.6
Other Mining	0	1	2	0.0	1.5	411.5	5	10	0.0
<b>Others</b>	<b>596</b>	<b>290</b>	<b>328</b>	<b>0.4</b>	<b>-268.4</b>	<b>-45.0</b>	<b>3,495</b>	<b>2,225</b>	<b>0.5</b>
<b>Total Exports</b>	<b>76,143</b>	<b>62,650</b>	<b>82,867</b>	<b>100</b>	<b>6,723.6</b>	<b>8.8</b>	<b>481,499</b>	<b>448,987</b>	<b>100</b>

Source: DOS/AmBank Research



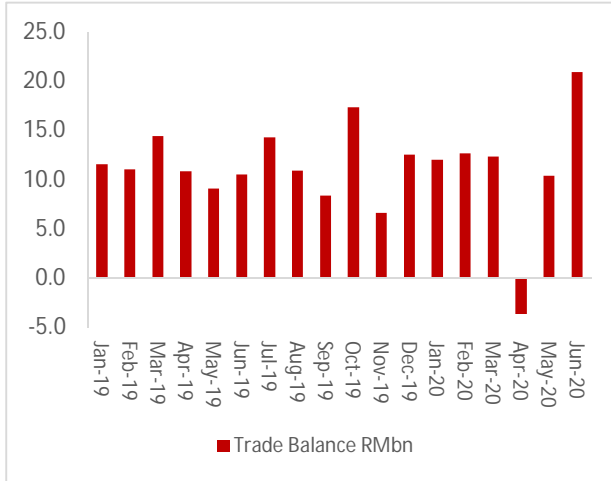
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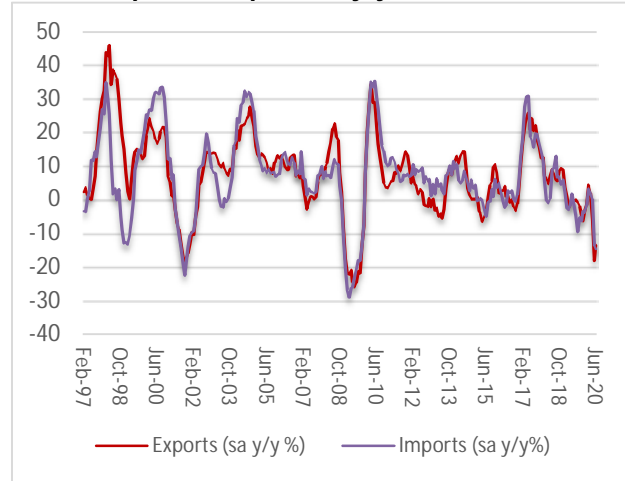
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Chart 1: Trade Balance (RM bil)



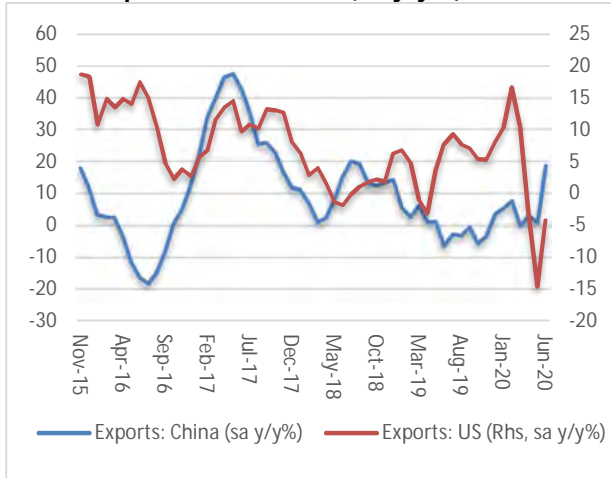
Source: CEIC/AmBank Research

Chart 2: Exports & Imports (sa y/y %)



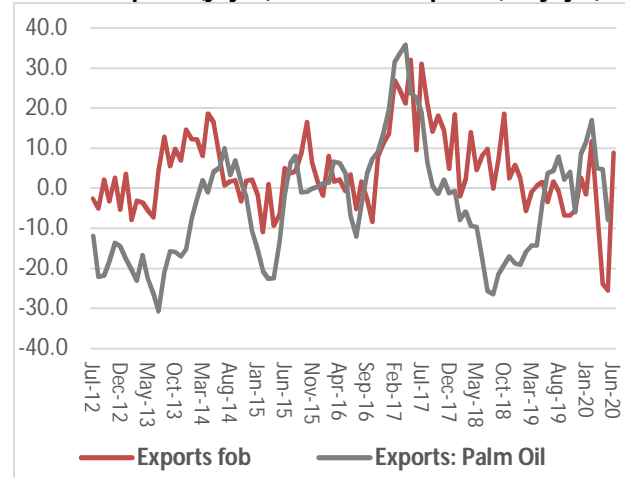
Source: CEIC/AmBank Research

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



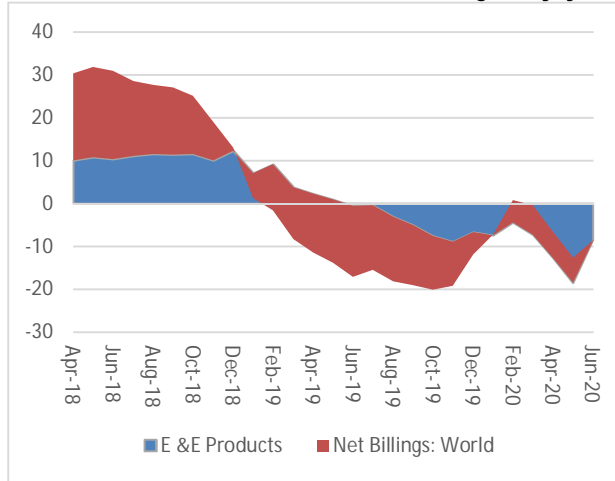
Source: CEIC/AmBank Research

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



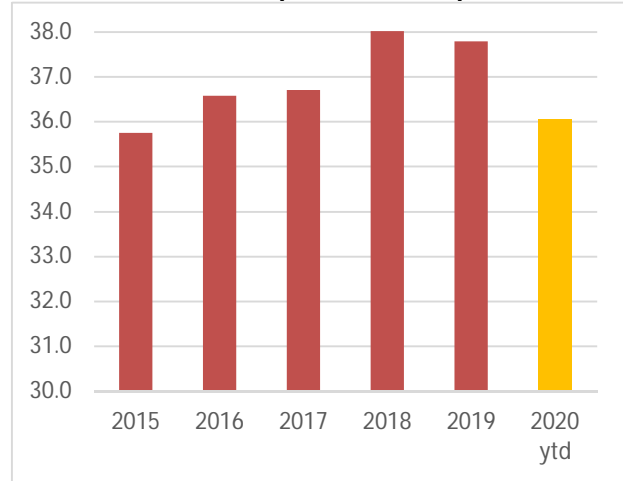
Source: CEIC/AmBank Research

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



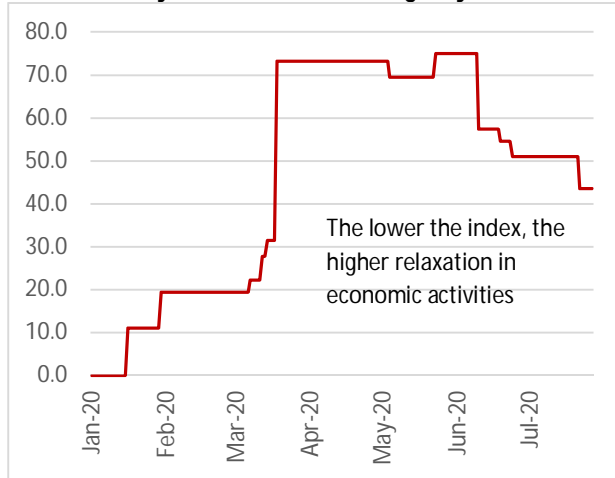
Source: CEIC/AmBank Research

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



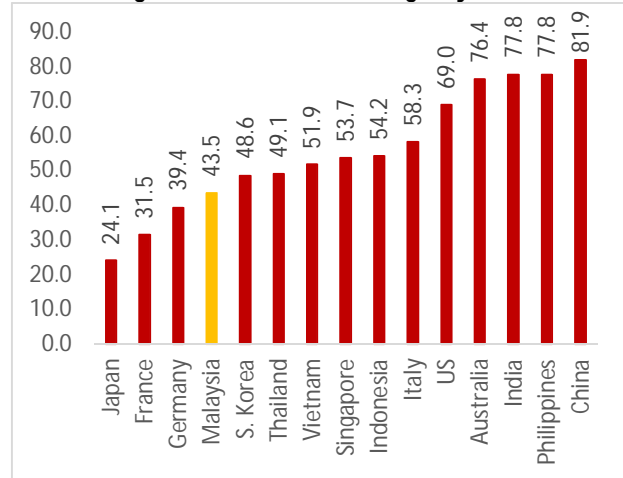
Source: CEIC/AmBank Research

**Chart 7: Malaysia Government Stringency Index**



Source: CEIC/AmBank Research

**Chart 8: Regional Government Stringency Index as at 27 July**



Source: CEIC/AmBank Research

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