

30 November 2020



# ECONOMICS

**In this report:**

**Malaysia – Trade surplus boosts ringgit but uncertainties remain**

KINDLY REFER TO THE LAST PAGE OF THIS PUBLICATION FOR IMPORTANT DISCLOSURES



AmBank Group

Your Bank. Malaysia's Bank. AmBank.™

AmBank Research

Monday, 30 November 2020

**Dr. Anthony Dass**

Chief Economist/Head

anthony-dass@ambankgroup.com

03-20322972

**Munesh Nair Muralidharan**

Economist

munesh-nair@ambankgroup.com

03-20362255

**Nur Iman Mohamed Azhar**

Economist

iman-azhar@ambankgroup.com

03-20363020

## Malaysia

### Trade surplus boosts ringgit but uncertainties remain

The large trade surplus continued to support the domestic economy besides the RM305 billion stimulus measures and the easing of the restrictive measures to contain the Covid-19 virus spread.

With cumulative trade surplus at RM147 billion, some likelihood easing of political uncertainties on the domestic front, external reserves staying healthy at US\$104.9 billion or 8.6 months of retained imports, and envisaging a weaker USD, these should bode well for the MYR to hover around the 4.07–4.10 levels by the end of the year. Exports for the year should contract between 2.5% and 3.0% from -0.8% in 2019.

- Trade surplus in October 2020 widened to RM22.12 billion, registering a double-digit growth of 25.9% y/y, the highest ever recorded. It was supported by the increase in exports and fall in imports.
- Exports reached RM91.05 billion in October 2020, increasing by 0.2%y/y and 2.4% m/m. This was the third highest export value recorded thus far. The expansion was supported mainly by higher exports to the US, China, India and the UK. Imports totalled RM68.93 billion, decreasing by 6% y/y or 2.9% m/m.
- Electronics led the bounce in exports, growing by 0.2% y/y and 2.4% m/m in October. These benefited from the recovery in Asian exports that have gained momentum in recent months.
- Commodities, the other dominant export category, was a mixed bag. Palm oil and rubber exports posted strong growth but the fuel cluster (crude petroleum, petroleum products and liquefied natural gas) continued to remain weak from global demand and prices.
- Palm oil and rubber exports registered strong growth at 46.5% y/y and 127.3% y/y, respectively. India remains the largest palm oil importer, buying around 424K tonnes or an increase by 13.1% as compared to the previous month. Contributions from palm oil and rubber to the total exports are 6% and 5.7% in October. The rise in rubber products contribution is due to the windfall gains from the current pandemic virus.
- Imports fell for the 8th straight month by 6.0% y/y. The drag came from iron & steel products (-30.0% y/y) and manufactures of metal (-18.2% y/y). They were the weak spots in imports. Both capital and intermediate imports shrank by 17.1% y/y and 6.1% y/y in October from -2.2% y/y and -17.7% y/y, respectively. Meanwhile, consumption goods climbed by 6.5% y/y from 11.2% y/y in September.



- With a cumulative surplus of RM147 billion in the first 10 months of the year, it was RM1.3 billion higher than the year-ago period and this would lend support to the ringgit. Also, after Budget 2021 has been cleared at the policy level, the focus now is at the committee level which is the third stage. Should this be cleared, it will help soften uncertainties for a period of time.
- Also, external reserves are at a healthy US\$104.9 billion or 8.6 months of retained imports. That would bode well for the MYR. Besides, the USD is expected to stay weak and this will also provide positive impetus. On that note, the ringgit is expected to stay firm around the 4.07–4.10 levels by the end of 2020. And exports for the year should contract between 2.5% and 3.0%.

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

	Oct'19	Nov	Dec	Jan'20	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct
X y/y (RM)	-6.4	-5.4	2.8	-2.6	10.0	-6.5	-24.9	-26.0	8.0	3.1	-2.9	13.6	0.2
M y/y (RM)	-8.7	-3.6	1.0	-2.5	11.3	-2.7	-8.0	-30.4	-5.6	-8.7	-6.5	-3.6	-6.0
X y/y (USD)	-7.1	-4.8	3.3	-1.7	7.7	-11.3	-29.0	-28.9	5.1	-0.2	-2.9	14.5	1.1
M y/y (USD)	-9.4	-3.0	1.5	-1.6	9.0	-7.6	-13.0	-33.1	-8.1	-11.7	-6.4	-2.8	-5.1
X-M RMbn	17.6	6.7	12.6	12.0	12.6	12.3	-3.6	10.4	20.9	25.2	13.2	21.9	22.1
X-M US\$bn	4.2	1.6	3.0	3.0	3.0	2.9	-0.8	2.4	4.9	5.9	3.2	5.3	5.3

Source: CEIC/AmBank Research

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

	Oct'19	Nov	Dec	Jan'20	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct
Imports	-8.7	-3.6	1.0	-2.5	11.3	-2.7	-8.0	-30.4	-5.6	-8.7	-6.5	-3.6	-6.0
Capital Import	-11.5	-4.5	-11.1	-14.8	-16.7	-48.1	69.1	-27.8	2.8	-19.8	-15.6	-2.2	-17.1
Intermediate Import	-5.1	1.8	6.2	3.6	20.5	2.5	-30.6	-27.8	-10.7	-17.3	-5.6	-17.7	-6.1
Consumption Import	-5.0	1.9	3.2	-1.2	9.7	6.8	-12.2	-22.2	8.9	0.1	2.9	11.2	6.5
Re-exports	-10.2	-18.4	-0.3	-6.7	-6.8	12.6	37.9	-30.1	5.2	15.6	8.5	38.6	-4.9

Source: DOS/CEIC/AmBank Research

**Table 3: Major Exports Markets YoY (%)**

	Oct'19	Nov	Dec	Jan'20	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct
China	-10.9	4.3	18.2	-6.6	8.9	-7.5	2.8	3.7	46.1	13.9	20.9	41.9	4.9
Singapore	4.1	-11.9	-2.7	1.1	22.3	7.7	-17.4	-22.0	3.5	4.1	0.7	13.7	1.9
US	3.5	6.5	15.1	9.3	24.6	-4.4	-31.2	-9.4	27.5	28.6	13.6	22.1	25.6
Hong Kong	0.1	-21.1	-18.1	-14.0	1.0	-12.6	-8.3	-23.6	30.9	1.5	-0.6	31.9	-15.0
Japan	-18.9	-15.3	-12.8	-4.1	1.6	-1.8	-28.9	-33.2	9.1	-2.8	-13.9	-11.3	-6.0
Thailand	-18.2	-14.7	-7.3	-21.4	-15.4	-38.8	-38.2	-40.1	-10.2	-9.4	-23.0	-0.6	-9.1
Taiwan	10.5	-11.3	27.3	3.9	20.5	-1.5	-23.4	-27.5	-0.6	-4.6	-12.0	-1.6	-30.2
ROK	-4.9	-17.0	2.2	1.0	48.5	9.4	-4.7	-6.9	-3.7	11.3	1.5	-1.1	-13.2
Vietnam	-1.9	-11.0	12.2	-17.4	9.9	-34.1	-40.0	-35.2	18.0	-4.9	-6.4	6.0	-3.8
India	-12.2	-1.4	-13.6	-0.4	-13.5	-42.5	-71.6	-81.9	-42.3	-7.4	-20.1	-4.5	17.6

Source: CEIC/DOS/AmBank Research



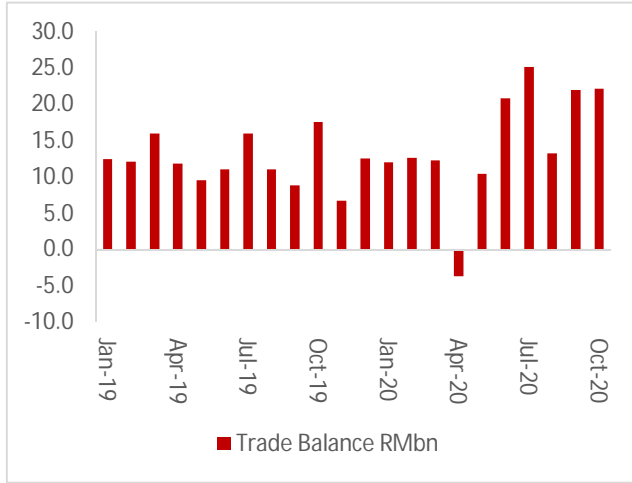
Table 4: Exports by Sector and Sub-Sector (RM million)

Sector and Sub-Sector	Value RM Million (FOB)			Share (%)	Annual Change (%)		Value RM Million (FOB)		
	Oct 2019	Sep 2020	Oct 2020		Val RM Million (FOB)	%	Jan-Oct 2019	Jan-Oct 2020	Share (%)
<b>MANUFACTURING</b>	<b>78,022</b>	<b>77,985</b>	<b>79,936.6</b>	<b>87.8</b>	<b>1,914.3</b>	<b>2.5</b>	<b>698,908</b>	<b>691,286.1</b>	<b>86.3</b>
Electrical & Electronic Products (E&E)	37,489	38,875	38,628	48.3	1,139.5	3.0	314,472	315,350	45.6
Petroleum Products	5,823	3,781	4,333	5.4	(1,489.7)	(25.6)	58,255	51,879	7.5
Chemical And Chemical Products (Exclude Plastics In Non-Primary Forms)	4,955	4,357	4,159	5.2	(795.6)	(16.1)	47,744	41,227	6.0
Optical & Scientific Equipment	4,035	4,312	3,914	4.9	(121.3)	(3.0)	32,687	34,139	4.9
Rubber Products	2,297	4,522	5,220	6.5	2,923.5	127.3	21,172	33,094	4.8
Machinery, Equipment And Parts	3,442	3,440	3,551	4.4	109.0	3.2	34,442	32,301	4.7
Manufacture Of Metal	3,504	3,142	3,149	3.9	(354.6)	(10.1)	34,875	29,269	4.2
Iron And Steel Products	1,538	1,952	1,868	2.3	329.3	21.4	17,509	19,526	2.8
Processed Food	1,980	1,785	1,968	2.5	(11.5)	(0.6)	17,796	17,472	2.5
Palm Oil-Based Manufactured Products	1,865	1,685	1,666	2.1	(198.7)	(10.7)	19,658	17,118	2.5
Transport Equipment	1,823	1,280	1,557	1.9	(265.8)	(14.6)	15,551	15,901	2.3
Wood Products	1,460	1,470	1,605	2.0	145.1	9.9	12,837	12,911	1.9
Textiles, Apparels And Footwear	1,217	1,204	1,348	1.7	131.2	10.8	12,782	11,273	1.6
Manufacture Of Plastics	1,345	1,055	1,178	1.5	(166.4)	(12.4)	12,460	10,786	1.6
Non-Metallic Mineral Products	865	701	784	1.0	(81.4)	(9.4)	7,317	6,565	0.9
Paper & Pulp Products	576	495	553	0.7	(23.8)	(4.1)	5,242	5,243	0.8
Jewellery	620	388	475	0.6	(144.8)	(23.4)	5,820	3,148	0.5
Beverages & Tobacco	292	228	224	0.3	(68.0)	(23.3)	2,840	2,080	0.3
Other Manufactures	2,897	3,315	3,755	4.7	858.3	29.6	25,450	32,003	4.6
<b>AGRICULTURE</b>	<b>5,571</b>	<b>6,547</b>	<b>7,169</b>	<b>7.9</b>	<b>1,597.5</b>	<b>28.7</b>	<b>54,953</b>	<b>57,676</b>	<b>7.2</b>
Palm Oil and Palm-Based Products	3,730	4,924	5,465	76.2	1,734.9	46.5	36,730	41,810	72.5
Natural Rubber	300	269	308	4.3	8.3	2.8	3,207	2,574	4.5
Sawn Timber & Moulding	391	313	281	3.9	(110.3)	(28.2)	3,634	2,543	4.4
Other Vegetables Oil	206	224	267	3.7	61.2	29.7	2,380	2,360	4.1
Seafood, fresh, chilled or frozen	222	184	210	2.9	(11.9)	(5.4)	1,836	1,903	3.3
Sawlog	53	36	27	0.4	(26.1)	(49.5)	639	417	0.7
Other Agriculture	669	597	611	8.5	(58.6)	(8.8)	6,528	6,069	10.5
<b>MINING</b>	<b>6,783</b>	<b>4,016</b>	<b>3,583</b>	<b>3.9</b>	<b>(3,199.8)</b>	<b>(47.2)</b>	<b>67,903</b>	<b>48,061</b>	<b>6.0</b>
Liquefied Natural Gas (LNG)	3,633	1,484	1,536	42.9	(2,097.3)	(57.7)	35,500	24,167	50.3
Crude Petroleum	1,876	1,784	1,035	28.9	(840.7)	(44.8)	21,657	15,875	33.0
Metalliferous Ores and Metal Scrap	616	464	706	19.7	90.2	14.7	5,894	5,075	10.6
Tin	121	103	147	4.1	26.2	21.7	1,503	1,154	2.4
Crude Fertilizers And Crude Minerals	137	117	139	3.9	1.3	1.0	1,086	1,039	2.2
Condensates and other petroleum oil	392	63	19	0.5	(372.5)	(95.1)	2,237	738	1.5
Other Mining	7	1	0	0.0	(7.0)	(94.7)	26	13	0.0
<b>Others</b>	<b>485</b>	<b>357</b>	<b>363</b>	<b>0.4</b>	<b>(121.4)</b>	<b>(25.0)</b>	<b>5,925</b>	<b>3,562</b>	<b>0.4</b>
<b>Total Exports</b>	<b>90,861</b>	<b>88,905</b>	<b>91,051</b>	<b>100.0</b>	<b>190.5</b>	<b>0.2</b>	<b>827,689</b>	<b>800,585</b>	<b>100.0</b>

Source: DOS/AmBank Research

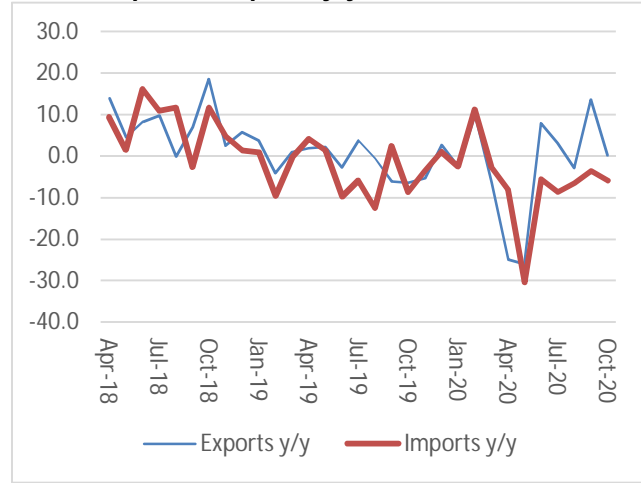


Chart 1: Trade Balance (RM bil)



Source: CEIC/AmBank Research

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



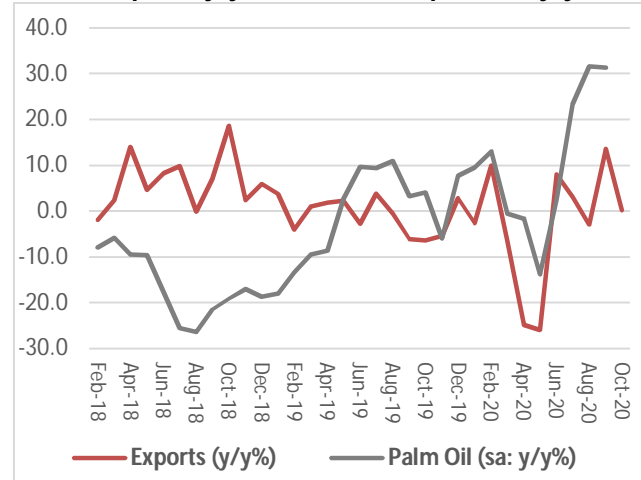
Source: CEIC/AmBank Research

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



Source: CEIC/AmBank Research

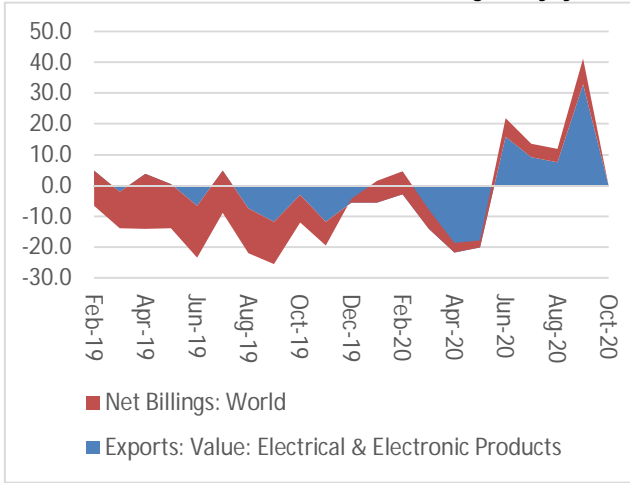
Chart 4: Exports (y/y %) & Palm Oil Exports (sa: y/y%)



Source: CEIC/AmBank Research

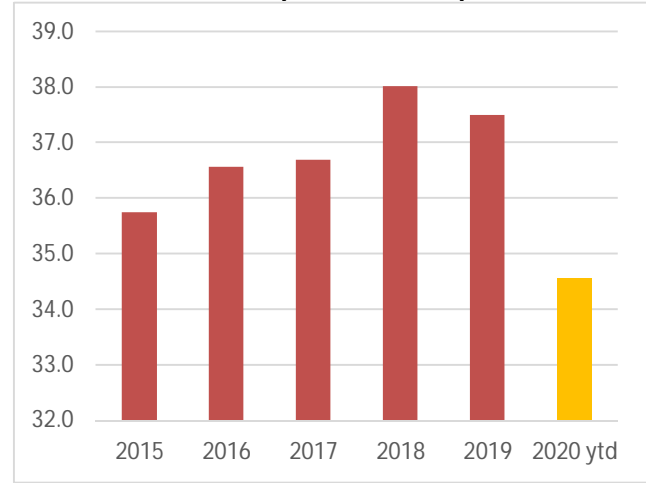


Chart 5: E&E and Semiconductor Net Billings (sa y/y %)



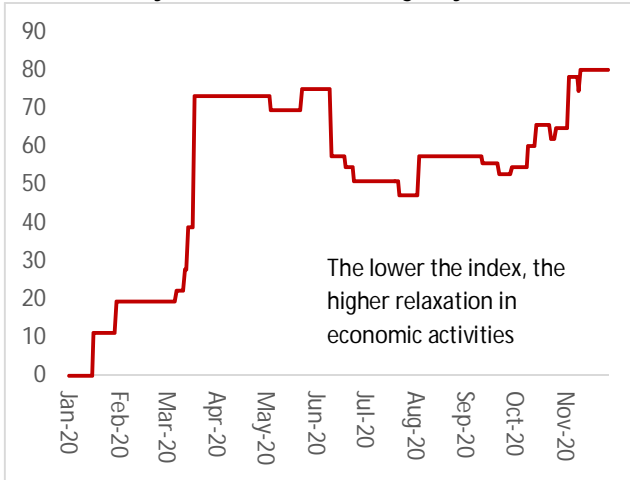
Source: CEIC/AmBank Research

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



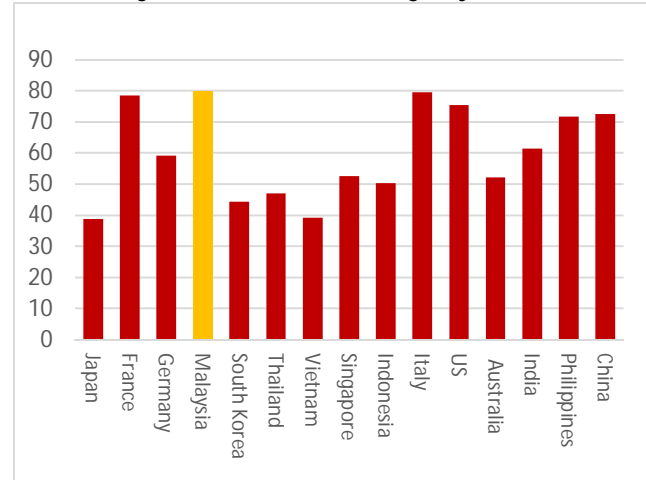
Source: CEIC/AmBank Research

Chart 7: Malaysia Government Stringency Index



Source: CEIC/AmBank Research

Chart 8: Regional Government Stringency Index



Source: CEIC/AmBank Research;  
Data as at 27 Nov 2020



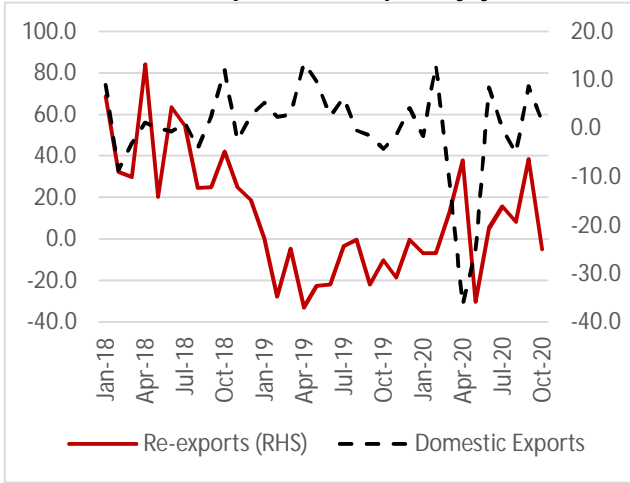
**AmBank Group**

Your Bank. Malaysia's Bank. AmBank.™

**AmBank Research**

**Monday, 30 November 2020**

**Chart 9: Domestic Exports & Re-Exports (y/y%)**



Source: CEIC/AmBank Research



AmBank Group

Your Bank. Malaysia's Bank. AmBank.™

AmBank Research

Monday, 30 November 2020

## DISCLOSURE AND DISCLAIMER

This report is prepared for information purposes only and it is issued by AmBank (M) Berhad (“AmBank”) without regard to your individual financial circumstances and objectives. Nothing in this report shall constitute an offer to sell, warranty, representation, recommendation, legal, accounting or tax advice, solicitation or expression of views to influence any one to buy or sell any real estate, securities, stocks, foreign exchange, futures, investment or other products. AmBank recommends that you evaluate a particular investment or strategy based on your individual circumstances and objectives and/or seek financial, legal or other advice on the appropriateness of the particular investment or strategy.

The information in this report was obtained or derived from sources that AmBank believes are reliable and correct at the time of issue. While all reasonable care has been taken to ensure that the stated facts are accurate and views are fair and reasonable, AmBank has not independently verified the information and does not warrant or represent that they are accurate, adequate, complete or up-to-date and they should not be relied upon as such. All information included in this report constitute AmBank's views as of this date and are subject to change without notice. Notwithstanding that, AmBank has no obligation to update its opinion or information in this report. Facts and views presented in this report may not reflect the views of or information known to other business units of AmBank's affiliates and/or related corporations (collectively, “AmBank Group”).

This report is prepared for the clients of AmBank Group and it cannot be altered, copied, reproduced, distributed or republished for any purpose without AmBank's prior written consent. AmBank, AmBank Group and its respective directors, officers, employees and agents (“Relevant Person”) accept no liability whatsoever for any direct, indirect or consequential losses, loss of profits and/or damages arising from the use or reliance of this report and/or further communications given in relation to this report. Any such responsibility is hereby expressly disclaimed.

AmBank is not acting as your advisor and does not owe you any fiduciary duties in connection with this report. The Relevant Person may provide services to any company and affiliates of such companies in or related to the securities or products and/or may trade or otherwise effect transactions for their own account or the accounts of their customers which may give rise to real or potential conflicts of interest.

This report is not directed to or intended for distribution or publication outside Malaysia. If you are outside Malaysia, you should have regard to the laws of the jurisdiction in which you are located.

If any provision of this disclosure and disclaimer is held to be invalid in whole or in part, such provision will be deemed not to form part of this disclosure and disclaimer. The validity and enforceability of the remainder of this disclosure and disclaimer will not be affected.