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# ECONOMICS

**In this report:**

**Malaysia – Foreign trade records new high**

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## Malaysia

### Foreign trade records new high

In October, Malaysia's exports grew faster by 25.5% y/y to a new record of RM114.4bil in value, exceeding September's 24.7% and market consensus of 25.0%.

We expect external demand to remain favourable in the remaining months of 2021. The global recovery, added with further domestic reopening, have bolstered Malaysia's exports. Nevertheless, we remain cautious over Covid-19 infections and ongoing constraints in the global supply chain which could affect the strength of growth in Malaysia's trade sector. Having said that, we expect exports to grow around 23%–25% in 2021, which is significantly better than -1.1% in 2020.

#### A. Highlights

- In October, Malaysia's exports grew faster by 25.5% y/y to a new record of RM114.4bil in value, exceeding September's 24.7% and market consensus of 25.0%. This reflects sustained healthy external demand conditions amidst global economic recovery progress. On a monthly basis, exports climbed 3.2% m/m albeit at slower pace (September: 15.9% m/m). This brings the average of exports for the first 10 months of 2021 to 26.5%, way higher than our forecast of 23%.
- All three economic sectors logged solid increases this time, led by the mining sector (66.7% y/y), followed by agriculture (28.9%) and manufacturing (23.3%). The mining products were supported by liquefied natural gas (LNG) with an 88.7% growth and crude petroleum with 60.5%, while agriculture was driven by palm oil products with 34.6%.
- Meanwhile, exports of manufactured products were propelled by petroleum products (126%), metal (146%) and chemical products (58.9%). The closely-watched segment electrical & electronic (E&E) products also posted a robust growth of 8.8% or +RM3.4bil.
- Looking at the inter-countries trade dynamics, despite holding a trade deficit with China, exports to China grew 24.8% y/y to RM17.8bil. Exports to Singapore advanced 7.1% y/y to RM15.2bil while exports to the United States rose 12.4% to RM12.6bil.
- Imports accelerated to its fastest in four months at 27.9% y/y (September: 26.5%) and in line with market forecast. This is influenced by the positive growth in consumption goods at 10.8% y/y in October, the intermediate and capital goods at 35.1% y/y and 15.1% y/y, respectively.
- Ultimately, the trade balance logged a new record of surplus at RM26.2bil in October, an increase of 17.9% y/y from the same month last year and higher than RM26.1bil in September. Also, it is interesting to note that the total year-to-date (YTD) value of exports has reached RM1.0 trillion, almost reaching the RM1.2tn target set out in the 12<sup>th</sup> Malaysian Plan.

**B. Key Takeaways**

- The robust foreign trade performance and healthy global economic growth continued to underpin the strong exports performance. Our E&E plus petroleum products, palm-oil, and chemicals all benefitted positively.
- Our trade was also lifted by the firm commodity prices as well as imports that continued to recover. These are expected to grow in the coming months due to improved business conditions and domestic economic activities, following the relaxation of restrictions and further reopening of the economy. Another positive factor is the approval to bring in 32,000 foreign workers to ease the labour shortage, which would boost firms' capability to meet export orders.
- Despite the optimism, we remain cautious over the Covid-19 infections and ongoing constraints in the global supply chain. They will act as the key downside risks, which could affect the strength of growth in Malaysia's trade sector. Nonetheless, we expect the external demand to remain favourable in the remaining months of 2021. Having said that, we expect the exports to grow around 23%–25% in 2021 following -1.1% in 2020.

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

	Oct'20	Nov	Dec	Jan'21	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct
X y/y (RM)	0.4	4.7	10.9	6.3	17.4	30.9	62.7	47.0	27.2	5.0	18.4	24.7	25.5
M y/y (RM)	-5.9	-8.9	1.7	1.1	12.1	17.5	22.9	48.4	32.1	23.9	12.5	26.5	27.9
X y/y (USD)	1.3	5.7	13.4	7.5	20.8	36.8	71.7	54.4	31.5	6.5	17.4	24.1	25.1
M y/y (USD)	-5.1	-8.0	4.0	2.1	15.4	22.9	29.7	55.9	36.6	25.7	11.6	25.9	27.6
X-M RMbn	22.3	17.1	20.7	16.6	17.9	24.2	20.4	13.8	22.3	13.8	21.4	26.1	26.2
X-M US\$bn	5.4	4.2	5.1	4.1	4.4	5.9	4.9	3.3	5.4	3.3	5.1	6.3	6.3

Source: CEIC/AmBank Research

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

	Oct'20	Nov	Dec	Jan'21	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct
Imports	-5.9	-8.9	1.7	1.1	12.1	17.5	22.9	48.4	32.1	23.9	12.5	26.5	27.9
Capital Import	-14.9	-26.6	-2.1	-5.4	38.3	93.3	-37.7	33.9	14.9	25.6	22.8	20.2	15.1
Intermediate Import	-4.9	-10.6	-5.0	1.4	-0.1	12.4	64.6	52.4	25.3	42.7	13.5	29.7	35.1
Consumption Import	3.2	-7.2	3.3	1.3	17.6	13.0	29.7	37.6	19.3	0.2	-0.7	3.7	10.8
Re-exports	-7.2	18.0	22.9	7.5	64.9	3.7	10.9	56.1	61.2	2.0	16.7	34.1	34.8

Source: DOS/CEIC/AmBank Research

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

	Oct'20	Nov	Dec	Jan'21	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct
China	5.1	13.2	13.6	25.8	35.5	46.5	27.7	17.3	18.5	-7.6	5.7	19.0	24.8
Singapore	2.2	16.0	19.2	5.0	13.3	32.8	55.1	46.2	15.1	9.0	21.5	32.4	7.1
US	25.6	24.6	18.2	18.4	25.9	67.2	128.8	46.3	32.1	-1.1	12.1	19.2	12.4
Japan	-5.1	4.3	14.9	-1.8	-2.4	12.3	57.4	51.6	17.9	11.4	40.8	18.3	29.3
Hong Kong	-15.0	27.4	30.1	8.9	33.3	39.1	0.8	20.6	6.5	-12.2	20.2	16.5	-1.2
Thailand	-9.0	-13.8	-0.6	-5.3	1.8	29.4	41.0	29.5	25.6	-1.5	20.8	7.3	8.6
Vietnam	-3.8	-12.3	-8.3	52.7	33.3	101.1	86.2	52.9	37.4	12.7	15.7	9.7	44.5
India	17.6	1.1	59.9	-19.6	25.0	70.7	289.1	403.2	88.7	7.4	8.8	50.4	32.7
Indonesia	-24.6	-33.8	-21.5	-0.3	15.0	-46.5	15.8	105.3	39.9	26.3	54.6	84.1	93.4
Australia	6.4	-13.0	-36.3	15.3	17.0	-2.6	97.5	102.0	78.2	42.3	38.9	31.4	77.3

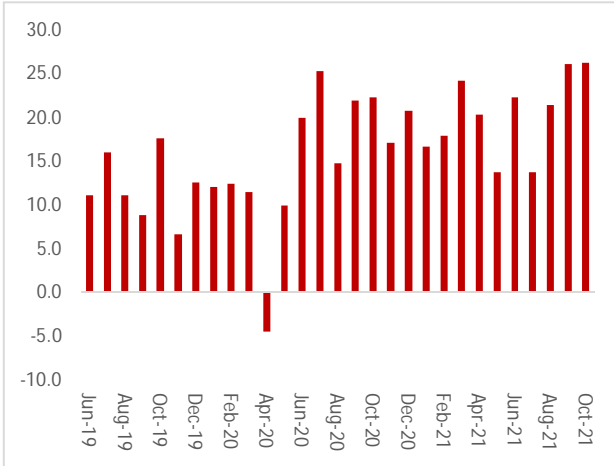
Source: CEIC/DOS/AmBank Research

**Table 4: Exports by Sector and Sub-Sector**

Sector and Sub-sector	Value RM million (FOB)			Share (%)	Annual Change (%)		Value RM million (FOB)		
	Oct 2020	Sep 2021	Oct 2021		Val RM million (FOB)	%	Jan-Oct 2020	Jan-Oct 2021	Share (%)
<b>MANUFACTURING</b>	79,976.2	94,860.7	98,610.0	86.2	18,633.8	23.3	693,074.7	866,480.3	86.3
Electrical & Electronic Products (E&E)	38,628.0	41,056.9	42,011.5	42.6	3,383.5	8.8	315,522.4	365,789.1	42.2
Petroleum Products	4,373.3	9,342.8	9,882.6	10.0	5,509.3	126.0	51,852.6	79,133.4	9.1
Rubber Products	5,220.0	3,875.9	3,478.8	3.5	(1,741.2)	(33.4)	33,756.0	57,927.9	6.7
Chemical And Chemical Products (Exclude Plastics In Non-Primary Forms)	4,159.4	6,043.1	6,611.2	6.7	2,451.9	58.9	41,275.4	57,355.7	6.6
Manufacture Of Metal	3,149.5	6,760.3	7,776.9	7.9	4,627.5	146.9	29,296.5	50,417.7	5.8
Machinery, Equipment And Parts	3,551.3	4,179.6	4,739.8	4.8	1,188.4	33.5	32,367.6	39,972.9	4.6
Optical & Scientific Equipment	3,913.9	3,990.8	4,292.1	4.4	378.2	9.7	34,802.1	37,934.1	4.4
Palm Oil-Based Manufactured Products	1,666.3	2,849.1	2,974.6	3.0	1,308.3	78.5	17,204.6	25,789.6	3.0
Iron And Steel Products	1,867.6	3,072.4	2,806.2	2.8	938.7	50.3	19,532.7	23,226.1	2.7
Processed Food	1,968.2	2,055.0	2,287.4	2.3	319.3	16.2	17,516.7	19,847.8	2.3
Manufacture Of Plastics	1,178.4	1,327.8	1,424.0	1.4	245.7	20.8	10,799.6	13,086.7	1.5
Wood Products	1,605.0	1,110.7	1,500.9	1.5	(104.1)	(6.5)	12,930.0	12,966.4	1.5
Transport Equipment	1,557.1	1,203.2	1,498.6	1.5	(58.5)	(3.8)	15,886.0	12,792.6	1.5
Textiles, Apparels And Footwear	1,348.2	1,267.9	1,366.9	1.4	18.7	1.4	11,278.7	12,756.4	1.5
Non-Metallic Mineral Products	783.6	870.9	944.3	1.0	160.8	20.5	6,568.2	8,601.6	1.0
Paper & Pulp Products	552.7	732.8	751.1	0.8	198.4	35.9	5,250.0	6,904.9	0.8
Jewellery	474.7	495.0	612.6	0.6	137.8	29.0	3,148.1	4,601.1	0.5
Beverages & Tobacco	223.9	187.6	213.4	0.2	(10.5)	(4.7)	2,080.3	1,975.1	0.2
Other Manufactures	3,755.2	4,439.0	3,437.1	3.5	(318.1)	(8.5)	32,007.0	35,400.9	4.1
<b>AGRICULTURE</b>	7,168.7	9,668.6	9,243.3	8.1	2,074.6	28.9	57,722.9	77,043.0	7.7
Palm Oil and Palm-Based Products	5,465.3	7,758.1	7,356.3	79.6	1,891.0	34.6	41,802.8	58,888.8	76.4
Natural Rubber	308.3	443.7	443.2	4.8	134.8	43.7	2,574.4	3,792.1	4.9
Other Vegetables Oil	267.1	260.2	243.1	2.6	(24.1)	(9.0)	2,360.4	2,851.5	3.7
Sawn Timber & Moulding	280.9	317.4	305.9	3.3	25.0	8.9	2,577.5	2,562.7	3.3
Seafood, fresh, chilled or frozen	209.7	209.1	220.8	2.4	11.1	5.3	1,903.8	1,990.3	2.6
Sawlog	26.7	30.1	40.6	0.4	13.9	52.1	417.0	439.6	0.6
Other Agriculture	610.7	650.0	633.5	6.9	22.8	3.7	6,086.9	6,518.0	8.5
<b>MINING</b>	3,682.2	5,934.9	6,139.2	5.4	2,457.0	66.7	48,924.5	56,427.9	5.6
Liquefied Natural Gas (LNG)	1,635.0	2,577.3	3,085.5	50.3	1,450.5	88.7	25,040.7	28,332.5	50.2
Crude Petroleum	1,035.4	1,930.5	1,661.8	27.1	626.4	60.5	15,854.7	17,247.7	30.6
Metalliferous Ores and Metal Scrap	706.1	1,132.8	897.5	14.6	191.4	27.1	5,074.9	6,523.8	11.6
Tin	146.9	175.4	212.1	3.5	65.1	44.3	1,164.8	1,839.6	3.3
Condensates and other petroleum oil	19.4	25.5	158.0	2.6	138.6	714.7	737.6	1,278.5	2.3
Crude Fertilizers And Crude Minerals	139.0	92.6	124.1	2.0	(14.9)	(10.7)	1,038.4	1,187.8	2.1
Other Mining	0.4	0.7	0.3	0.0	(0.1)	(25.9)	13.4	17.9	0.0
Others	363.1	366.5	436.8	0.4	73.7	20.3	3,535.8	3,796.7	0.4
<b>Total Exports</b>	<b>91,190.2</b>	<b>110,830.7</b>	<b>114,429.4</b>	<b>100</b>	<b>23,239.2</b>	<b>25.5</b>	<b>803,257.9</b>	<b>1,003,747.9</b>	<b>100</b>

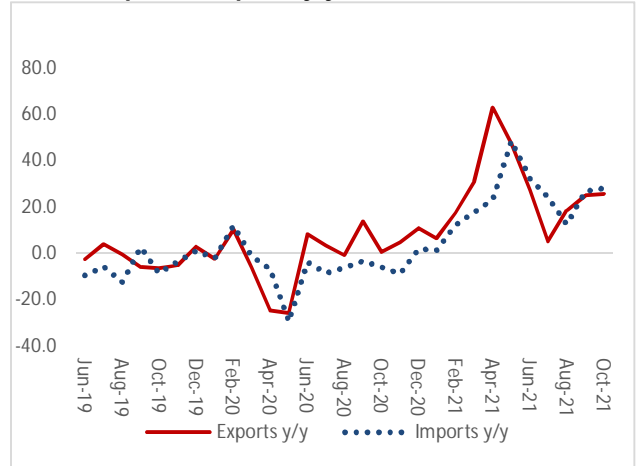
Source: DOS/AmBank Research

**Chart 1: Trade Balance (RM bil)**



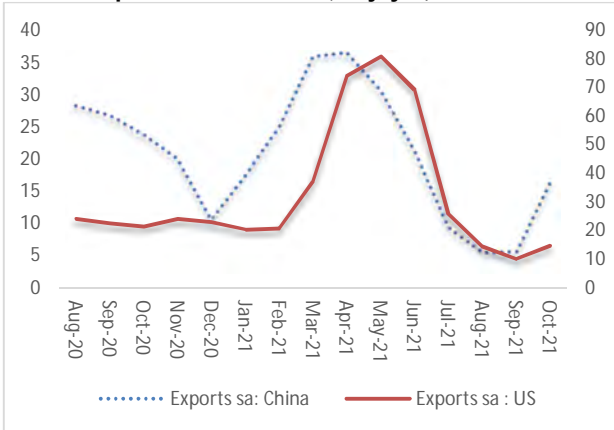
Source: CEIC/AmBank Research

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



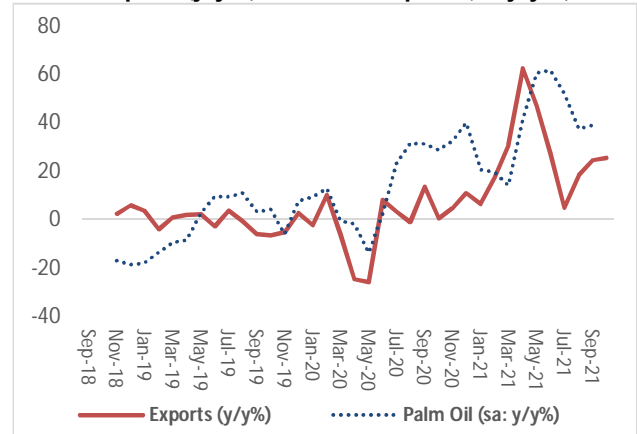
Source: CEIC/AmBank Research

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



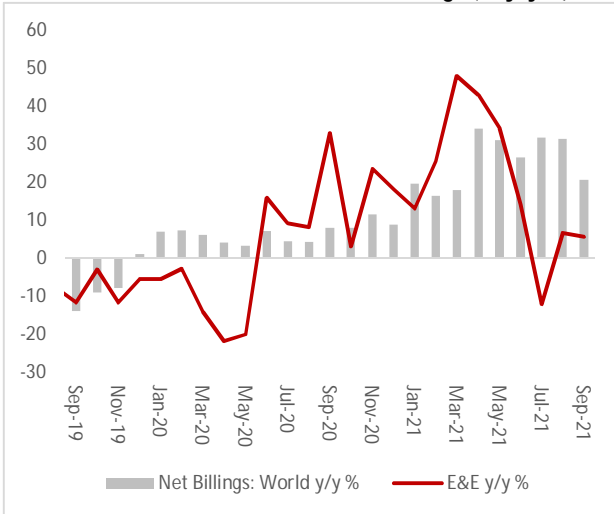
Source: CEIC/AmBank Research

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



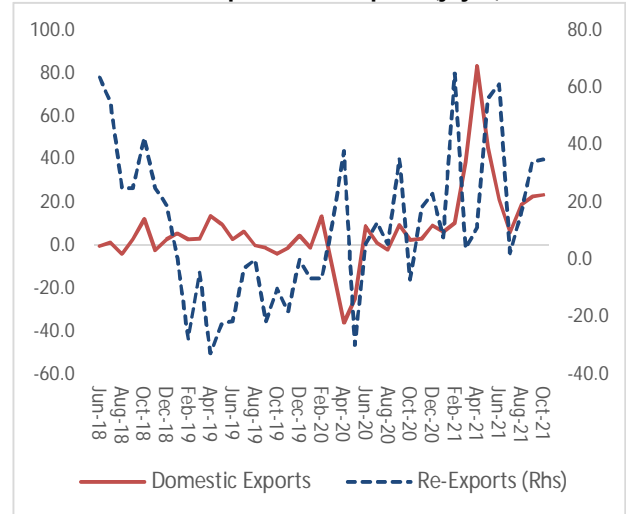
Source: CEIC/AmBank Research

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



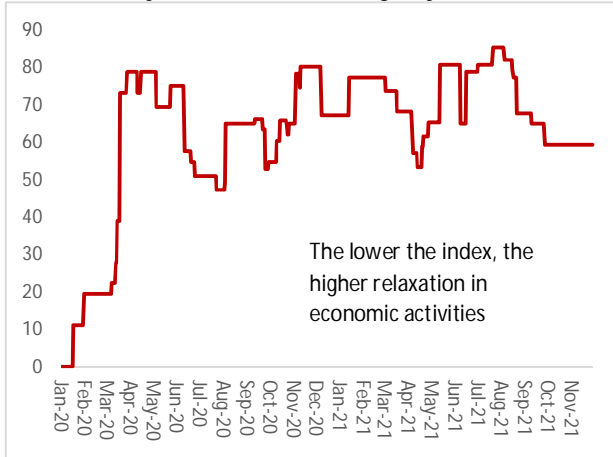
Source: CEIC/AmBank Research

**Chart 6: Domestic Exports & Re-exports (y/y %)**



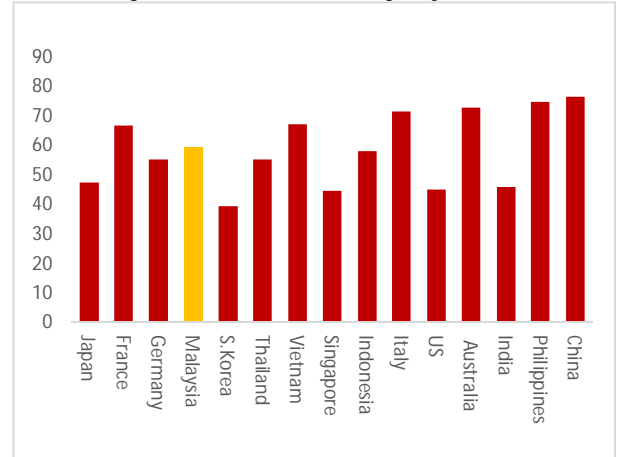
Source: CEIC/AmBank Research

**Chart 7: Malaysia Government Stringency Index**



Source: CEIC/AmBank Research

**Chart 8: Regional Government Stringency Index**



Source: CEIC/AmBank Research; Data as at 28<sup>th</sup> Nov 21

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