

20 June 2024

Global Economics & Market Strategy

Malaysia: Latest Upbeat Trade Data Reaffirm Our Optimistic View

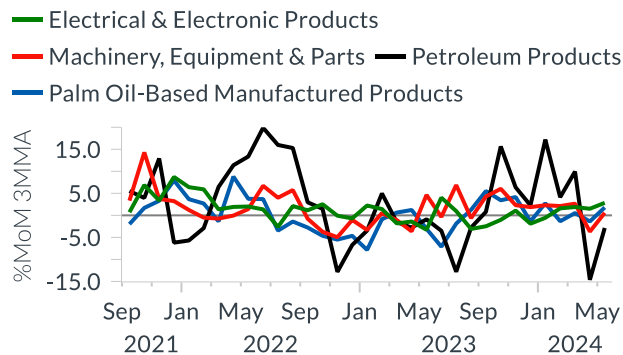
- ◆ We maintain our positive view for Malaysia’s trade outlook in 2024. Our view is founded on (1) resilient economic growth momentum in major economies, (2) upsides in commodity prices, and (3) re-acceleration in global technology cycle.
- ◆ The nominal export and import momentum (MoM, 3MMA) has reaccelerated for the month of May following a seasonal slowdown in April. The momentum for key products, i.e. electrical and electronic (E&E), machineries, petroleum and palm oil-based goods has edged higher for the month.
- ◆ May's exports gained pace by 7.3% YoY (April: 9.1% YoY), versus market consensus of 2.3% YoY and our in-house projection of 1.4% YoY.

Economist

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Figure 1: Momentum for major products...

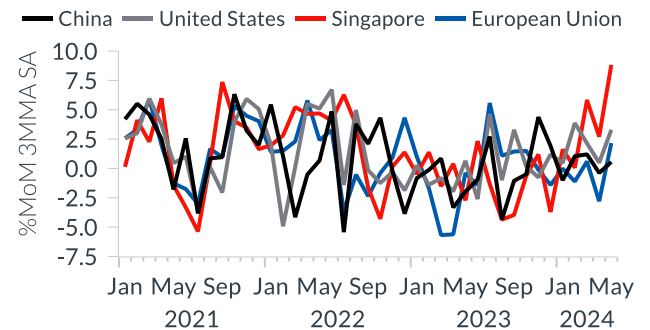
Major Export Products



Source: Macrobond, RHB Economics & Market Strategy.

Figure 2: ...as well as outbound shipments to key economies has trending up

Exports by Major Destination



Source: Macrobond, RHB Economics & Market Strategy.

Exports to be Lifted by Upsides in Global Economy and Technology Cycle

We maintain our positive view for Malaysia’s trade outlook in 2024. Our view is founded on (1) resilient economic growth momentum in major economies, (2) upsides in commodity prices, and (3) re-acceleration in global technology cycle. Our view is further reinforced by recent developments such as upbeat trade performance for the month of May, coupled with improvement in the manufacturing sector sentiment and investment appetite.

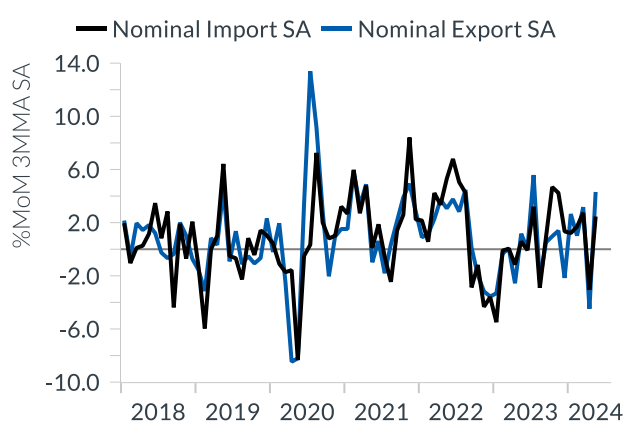
Robust economy performance is anticipated for major economies such as the U.S., China and selected ASEAN economies. Despite the prospects of elevated interest rates environment, the U.S. economy remain robust amid healthy labour market condition and consumer appetite. On the other hand, the latest acceleration in China’s trade and retail sales data suggesting steady demand recovery of the economy. We expect the export-oriented sectors, i.e. electrical and electronic (E&E) and commodity-based products, to benefit from the brighter global growth prospects.

We note other relevant data that support our positive view. For instance, the S&P Global Malaysia Manufacturing PMI rose to 50.2 points in May from 49.0, marking the first rise in factory activities since August 2022. The improvement was underpinned by renewed growth new export orders amid strong demand from the US, Europe, the Middle East, and other parts of the Asia Pacific region. Besides that, the capital goods imports remain robust, suggesting the improvement in investment appetite and the possibility of expansion in manufacturing activities.

Malaysia’s export is envisaged to be lifted by upturn in global technology cycle and upsides in commodity prices. The E&E export momentum has showing signs of sustained improvement in the first few months of the year. The upturn in the technology cycle is indicated by the uptrend in E&E exports by regional economies and the projected strong rebound in global semiconductor sales. For instance, World Semiconductor Trade Statistics (WSTS) organisation has projected a 16.0% YoY growth in the global semiconductor market, an upward revision from its former estimate of 13.1% YoY, lifted by strong growth in Americas and Asia Pacific regions. Commodity-based sectors such as petroleum and petroleum-based products and non-metal mineral and metal products are expected to gain from higher commodity prices and likely spur the export earnings.

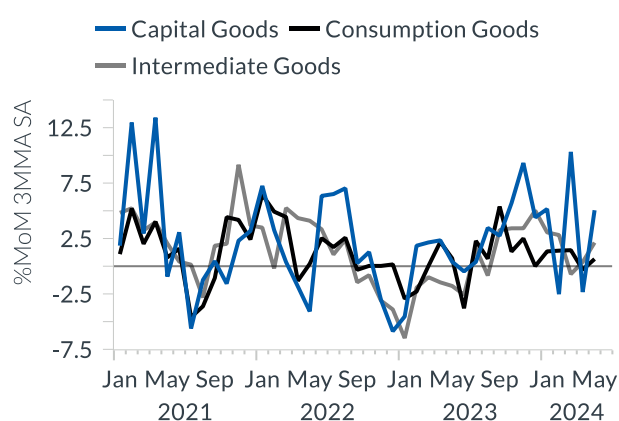
The nominal export and import momentum (MoM, 3MMA) has reaccelerated for the month of May following a seasonal slowdown in April. The momentum for key products, i.e. E&E, machineries, petroleum and palm oil-based goods has edged higher for the month. Meanwhile, the momentum of outbound shipments to major destinations such as China, U.S, EU and Singapore has gained pace as well. On the MoM SA basis, exports accelerated by 23.2%, while imports increased by 15.0%.

Figure 3: The trade momentum reaccelerated after a seasonality slowdown in April



Source: Macrobond, RHB Economics & Market Strategy.

Figure 4: Broad-based improvement in imports across major categories



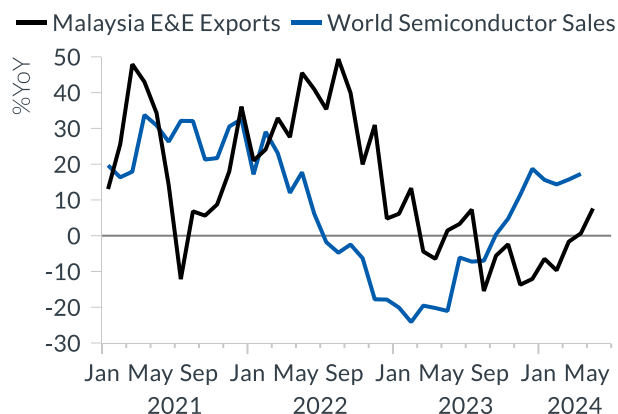
Source: Macrobond, RHB Economics & Market Strategy.

May's exports gained pace by 7.3% YoY (April: 9.1% YoY), versus market consensus of 2.3% YoY and our in-house projection of 1.4% YoY. Meanwhile, the imports increased by 13.8% YoY (April: 15.6% YoY) versus the consensus estimate of 8.4% YoY and our in-house projection of 8.1% YoY. To note that, the manufactured goods export posted a growth of 8.3%

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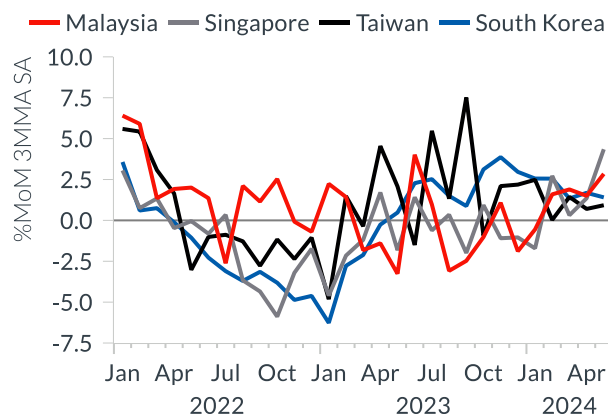
YoY, spurred by robust growth in E&E as well as metal products. On a net basis, the trade balance recorded a wider surplus level of MYR10.1 bn versus MYR7.7 bn in the previous month.

Figure 5: Recovery in global technology cycle is anticipated with rebound in semiconductor sales...



Source: Macrobond, RHB Economics & Market Strategy.

Figure 6: ...and more resilient performance in regional E&E exports



Source: Macrobond, RHB Economics & Market Strategy.

Figure 7: The MoM growth (NSA) for exports in May 2024 has outperformed most of the MoM growth over the same period in previous years

MoM%	Mean	Median	2016	2017	2018	2019	2020	2021	2022	2023	2024
Jan	-5.4	-6.8	-9.4	-7.2	4.7	2.6	-2.5	-6.4	-10.7	-14.4	3.4
Feb	-8.1	-8.3	-8.3	2.4	-15.3	-21.6	-11.5	-2.1	-8.4	-0.3	-9.0
Mar	18.9	18.6	17.3	15.2	20.3	26.6	7.5	19.8	29.2	15.5	15.5
Apr	-7.3	-5.5	-7.9	-10.4	-0.3	0.6	-19.1	0.4	-3.0	-18.9	-10.6
May	-0.9	-2.1	-2.2	6.7	-2.1	-1.8	-3.3	-12.5	-5.4	13.6	11.8
Jun	7.2	7.3	10.9	-8.1	-4.8	-9.4	32.0	14.0	19.6	3.7	
Jul	2.1	1.2	-9.7	8.1	9.7	17.0	11.8	-7.8	-6.9	-5.8	
Aug	-1.1	-1.7	12.7	4.2	-5.2	-9.2	-12.9	-1.8	5.4	-1.5	
Sep	3.7	1.8	0.8	-5.1	1.7	-4.0	10.1	16.3	1.9	8.1	
Oct	4.8	2.9	1.7	5.1	16.5	16.1	2.6	3.3	-8.5	1.4	
Nov	-3.7	-2.6	5.2	2.0	-11.9	-10.9	-7.1	-1.6	-1.7	-3.5	
Dec	3.3	2.7	3.9	-4.8	-1.7	6.8	13.1	10.4	1.5	-2.8	

Source: CEIC, RHB Economics & Market Strategy.

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