

18 July 2024

Global Economics & Market Strategy

Malaysia: Maintain Our Positive View on Trade Outlook

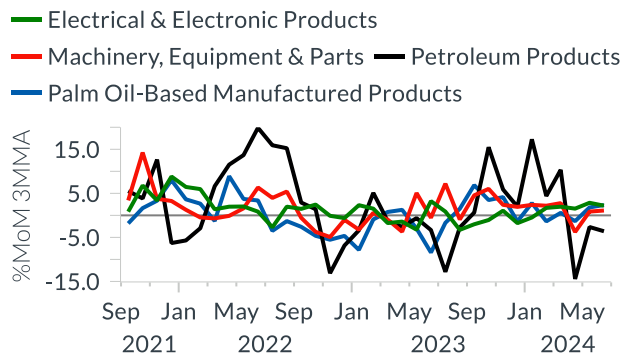
- ◆ We maintain our positive outlook for Malaysia’s trade in 2024 despite slower-than-expected export growth in June. The foundation for Malaysia’s exports remains robust for 2024, supported by (1) resilient economic growth momentum in major economies, (2) a resurgence in the global technology cycle, and (3) upside potential in commodity prices.
- ◆ The nominal momentum of exports and imports (MoM, 3MMA) softened in June following a spike in May. Momentum for key products such as electrical and electronic (E&E), machinery and palm oil-based goods slowed slightly in June but remained positive.
- ◆ June's exports increased by 1.7% YoY (May: 7.3% YoY), versus market consensus of 3.3% YoY and our in-house projection of 6.5% YoY.

Economist

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Figure 1: The momentum of major products...

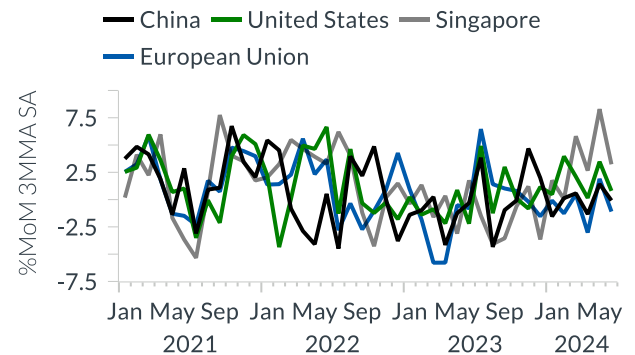
Major Export Products



Source: Macrobond, RHB Economics & Market Strategy.

Figure 2: ...as well as outbound shipments to key economies has soften for the month

Exports by Major Destination



Source: Macrobond, RHB Economics & Market Strategy.

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

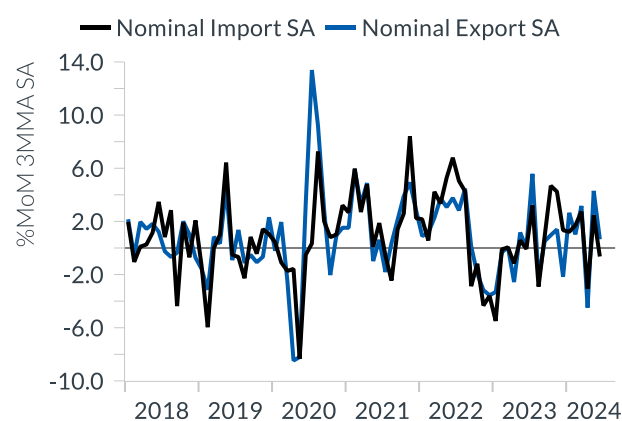
We maintain our positive outlook for Malaysia's trade in 2024 despite slower-than-expected export growth in June. One isolated data point in June might not provide sufficient information to alter our optimistic view, as Malaysia's export foundation remains robust. This is supported by (1) resilient economic growth momentum in major economies, (2) a resurgence in the global technology cycle, and (3) upside potential in commodity prices. We expect export-oriented sectors such as electrical and electronic (E&E) products and commodity-based goods to benefit from brighter global growth prospects.

Our sanguine view on the global economy remains unchanged, supported by the resilient economic performance of major economies such as the U.S., China, and select ASEAN economies. Recent acceleration in China's high-frequency data, including trade and retail sales, indicates a steady recovery of the economy. Additionally, the Caixin PMI composite and services remained above the expansionary 50.0 line in June. China's imports of metals and E&E from the regional economies are already on the mend in the recent months. Malaysia is at the forefront to benefit from the recovery in China's economy as key export products, i.e. E&E, machinery and transport equipment, and other manufactured goods, command the lion's share of trade in China's import demand.

Malaysia's exports would benefit from the global technology upcycle and upsides in commodities prices. The E&E export momentum has showing signs of sustained improvement in the first few months of the year. The global semiconductor market has posted remarkable performance on year-to-date basis, with a double-digit increase of 19.3% YoY in May 2024, driven by strong growth in the Americas and Asia Pacific regions. The World Semiconductor Trade Statistics (WSTS) organisation has projected a 16.0% YoY growth in the global semiconductor market for 2024. Meanwhile, 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 amidst higher global demand.

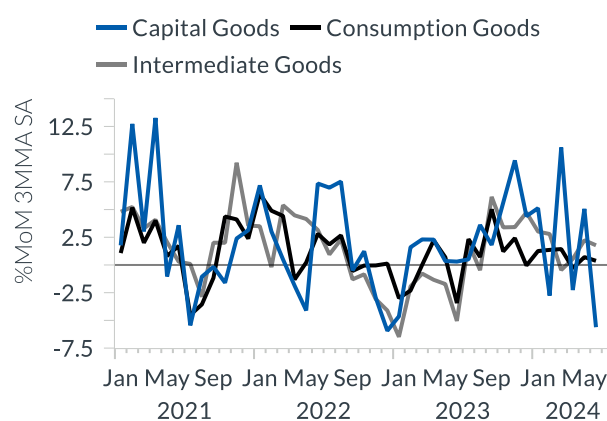
The nominal momentum of exports and imports (MoM, 3MMA) softened in June following a spike in May. Momentum for key products such as E&E, machinery and palm oil-based goods slowed slightly in June but remained positive. Likewise, outbound shipments to major destinations such as China, the U.S., the EU, and Singapore also softened for the month. On the MoM SA basis, exports decreased by 14.3%, while imports increased by 8.8%.

Figure 3: The trade momentum has slowed but remain positive...



Source: Macrobond, RHB Economics & Market Strategy.

Figure 4: Softening momentum of capital goods imports

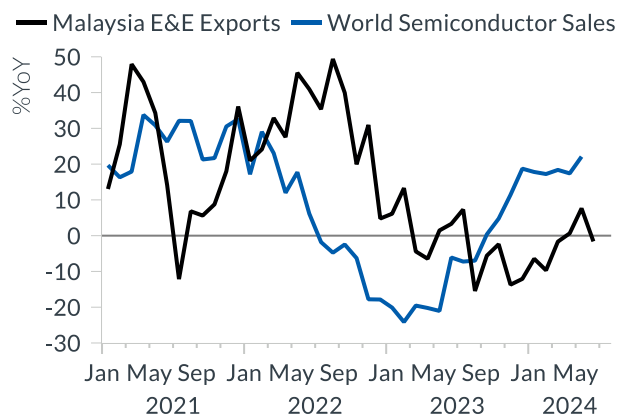


Source: Macrobond, RHB Economics & Market Strategy.

June's exports increased by 1.7% YoY (May: 7.3% YoY), versus market consensus of 3.3% YoY and our in-house projection of 6.5% YoY. Meanwhile, the imports increased by 17.8% YoY (May: 13.8% YoY) versus the consensus estimate of 15.5% YoY and our in-house projection of 13.5% YoY. To note that, the manufactured goods exports posted a growth of 1.0% YoY, spurred by robust growth in machinery, equipment & parts and palm oil-based manufactured products. The E&E exports (which contributed 42.2% of the June's exports) declined by 1.6% YoY versus our in-house projection of 0.2% YoY, following a strong growth of 7.6% YoY in May. On a net basis, the trade balance recorded a wider surplus level of MYR14.3 bn versus MYR10.1 bn in the previous month.

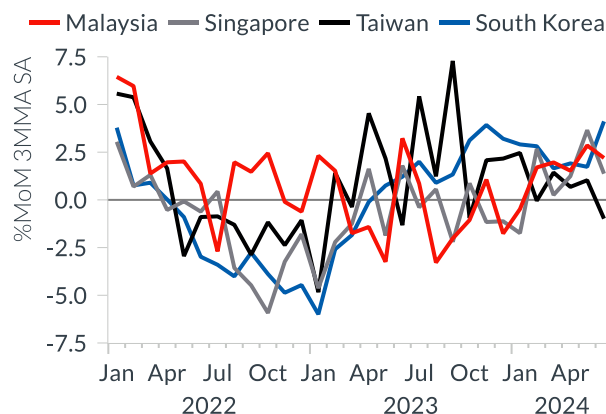
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Figure 5: Malaysia E&E exports to be supported by world semiconductor sales



Source: Macrobond, RHB Economics & Market Strategy.

Figure 6: Regional E&E exports has slowed for the month



Source: Macrobond, RHB Economics & Market Strategy.

Figure 7: June's exports slowed on MoM basis (NSA) after a strong MoM growth in May

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	-1.6
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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