

Outthink. Outperform.

Exports slow to 20.6% yoy in April

Demand for refined petroleum slows, but supported by E&E products

Malaysia's export growth slowed from 24.1% yoy in March to 20.6% in April, but continued to post double-digit growth for the fifth consecutive month, supported by healthy demand for mining goods, especially from Japan and China. In particular, exports of liquefied natural gas (LNG) rose significantly from 11.5% yoy in March to 50.2% in April, the highest yoy growth since July 2013. Exports of crude petroleum rose by 65.7% yoy in April, albeit lower than the previous month of 74.1%. However, exports of refined petroleum products slowed sharply from 52.6% yoy in March to 5.4% in April, as reflected in lower export volume despite some increase in average unit value.

As for the agriculture sector, exports of palm oil & palm oil based agriculture products, which contributed 5.7% of total exports, rose by 20.8% yoy in April, albeit lower than 22.9% in March, despite higher demand from EU countries. Other components, such as exports of natural rubber, remained strong at 93% yoy in April, after a sharp increase of 111.6% in March.

On manufactured goods, exports of electrical and electronic (E&E) products strengthened to 22.2% yoy in April (21.3% in March), attributed to higher demand for thermionic valves and tubes (24.4%), electrical apparatus and parts (13.4%), as well as parts and accessories for office machines (1.8%). Exports of manufactures of metal also improved significantly by 17.3% yoy in April after two straight months of contraction (-6.2% in March). Other components, including exports of chemicals/chemical products and optical & scientific equipment, slowed slightly by 18% and 10.5% respectively in April, while exports of machinery & appliances contracted by 1.2% yoy after two straight months in positive territory (8.4% in March).

Economic Update

Malaysia- Trade

Fig 1: Major export products (April 2017)

	Share of total (%)	% yoy				% mom			
		Jan-17	Feb-17	Mar-17	Apr-17	Jan-17	Feb-17	Mar-17	Apr-17
Electrical/Electronic Products	35.5	11.4	22.6	21.3	22.2	-7.9	-1.1	18.9	-10.4
Crude Petroleum	3.2	48.1	50.3	74.1	65.7	-0.2	-4.9	29.1	-22.8
Chemicals/Chemical products	7.4	15.2	37.5	20.6	18.0	-10.8	18.0	3.7	-10.4
Liquefied Natural Gas	4.4	2.8	2.1	11.5	50.2	-12.4	-0.3	4.0	-4.8
Palm Oil/Palm-Based Agri products	5.7	21.7	63.5	22.9	20.8	-4.9	13.9	-7.5	-4.9
Refined petroleum products	7.4	81.2	50.9	52.8	5.4	6.4	-13.8	25.4	-16.3
Machinery/Appliances	4.7	-8.3	12.9	8.4	-1.2	-0.8	8.8	18.9	-10.5
Optical/Scientific equipment	3.5	0.2	14.3	15.2	10.5	-9.5	-2.1	22.5	-10.3
Manufactures of metal	4.5	10.9	-0.4	-6.2	17.3	-4.6	-2.3	17.5	2.7
Exports	100.0	13.6	26.6	24.1	20.6	-7.0	2.2	15.1	-10.5

Source: Department of Statistics (DoS)

Strong demand from China and Japan in April

Despite lower demand for palm oil & palm oil-based agriculture products, exports to China remained resilient in April, rising from 40.3% yoy in March to 50.6%, supported by stronger demand for E&E products, petroleum products, chemical and chemicals products, as well as rubber products. Exports to Japan also rose sharply by 44.7% yoy in April (12% yoy in March), due to higher demand for LNG and E&E products. However, exports to both the US and EU countries, which together accounted for 20.1% of total exports, slowed by 11% and 26.5% respectively in April (16.5% and 28.1% respectively in March), but demand for E&E products remained strong. Similarly, exports to the Asean region slowed further to 14.9% yoy in April (24.8% in March), due to lower demand from Singapore, Indonesia and Vietnam for agriculture goods.

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Fig 2: Major export markets (April 2017)

	Share of total (%)	% yoy				% mom			
		Jan-17	Feb-17	Mar-17	Apr-17	Jan-17	Feb-17	Mar-17	Apr-17
US	10.0	5.6	13.2	16.5	11.0	-6.8	0.4	18.1	-7.1
EU	10.1	12.1	26.6	28.1	26.5	-1.9	3.8	12.7	-13.2
Japan	8.6	23.2	19.9	12.0	44.7	13.5	-1.2	2.9	-7.7
China	13.7	31.6	47.6	40.3	50.6	-16.2	11.7	14.5	-7.3
ASEAN	28.6	13.9	34.1	24.8	14.9	-3.9	3.0	11.0	-11.8
Exports	100.0	13.6	26.6	24.1	20.6	-7.0	2.2	15.1	-10.5

Source: DOS

Imports slowed to 24.7% yoy in April in the absence of lumpy imports

After reaching a 7-year high of 39.4% yoy in March, gross imports slowed to 24.7% in April, partly due to the slowdown in imports of machinery and transport equipment, which slowed to 10.6% yoy in April, from the high of 111.7% in March. The decline was attributed to imports of transport equipment, which fell sharply to 8.6% yoy in April, as compared to 163.8% in March, in the absence of large one-off transactions in the imports of ships, boats and floating structures, as evident in March. As a result, imports of capital goods slowed sharply from 82.4% yoy in March to 14.8% in April.

On the other hand, despite strong demand for E&E products, imports of intermediate goods slowed to 29.2% yoy in April (36.3% in March), reflecting some slowdown in global trade and global manufacturing activity recently. This was consistent with Malaysia's manufacturing Purchasing Managers' Index (PMI), which fell in May to 48.7 (50.7 in April), with most sub-components, such as production, new orders and purchasing activity trending lower during the month. Imports of intermediate goods and capital goods, which collectively account for about 70% of total imports, are also forward-looking indicators for Malaysia's domestic demand and economic growth.

Fig 3: Imports by end-use (April 2017)

	Share of total (%)	% yoy				% mom			
		Jan-17	Feb-17	Mar-17	Apr-17	Jan-17	Feb-17	Mar-17	Apr-17
Intermediate goods	58.9	10.5	39.8	36.3	29.2	-0.4	0.2	11.9	-10.9
Capital goods	12.3	34.9	5.8	82.4	14.8	6.3	-23.9	85.5	-40.9
Consumption goods	8.7	-1.6	-0.6	14.1	1.0	-10.0	-20.4	33.3	-7.1
Imports	100.0	16.1	27.7	39.4	24.7	-2.0	-3.8	22.5	-15.6

Source: DOS

Going forward, we believe the slowdown in imports of intermediate goods reflected some cautious sentiment among manufacturers in Malaysia, in view of the uncertainty of the global economic outlook. The Caixin China General Manufacturing PMI declined by 0.7 points to 49.6 in May (50.3 in April), falling below the 50-threshold mark for the first time in 11 months, pointing to a slowdown in global manufacturing activities in 2Q17. The global manufacturing PMI also moderated slightly from 52.7 in April to 52.6 in May, the lowest level since October 2015. Currently, there are signs of headwinds that could deter global trade activity in 2H17.

However, Malaysia's exports of E&E products remain supportive of total exports and play a pivotal role in sustaining Malaysia's trade performance, as compared to the ups and downs of the exports of commodity-related sectors. Growth of global semiconductor sales in March increased to 18.1%, with memory products continuing to lead the way, according to the Semiconductor Industry Association (SIA). We are maintaining our expectation that the country's trade surplus would remain substantial at around RM85bn in 2017, slightly lower than RM87.3bn in 2016. Malaysia's exports of commodity products, especially palm oil and LNG, should also benefit from demand from China and Japan in the months ahead.

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Focus Charts

Chart 1: Monthly trade growth

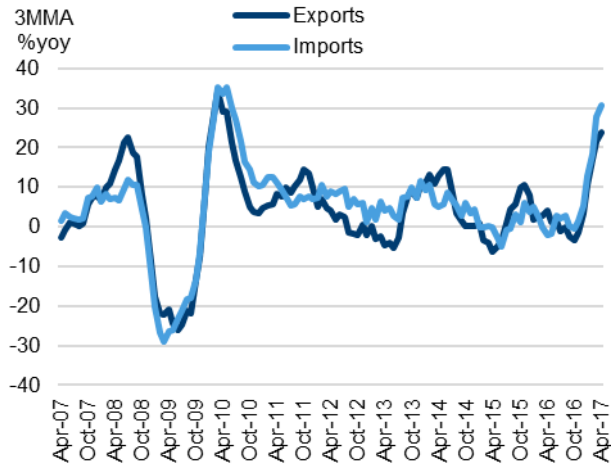


Chart 2: Imports by main components

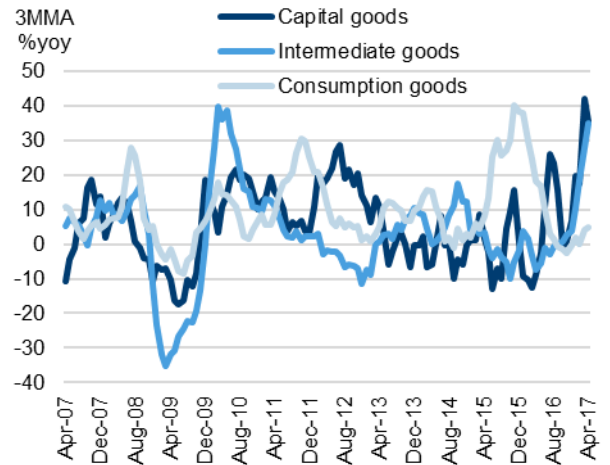


Chart 3: Breakdown in exports of E&E products

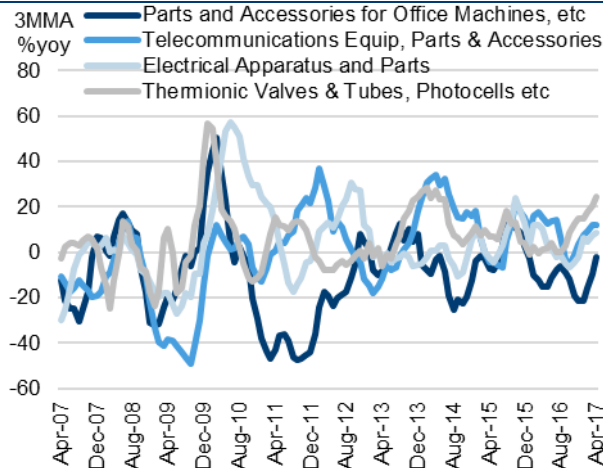


Chart 4: Malaysia's manufacturing PMI

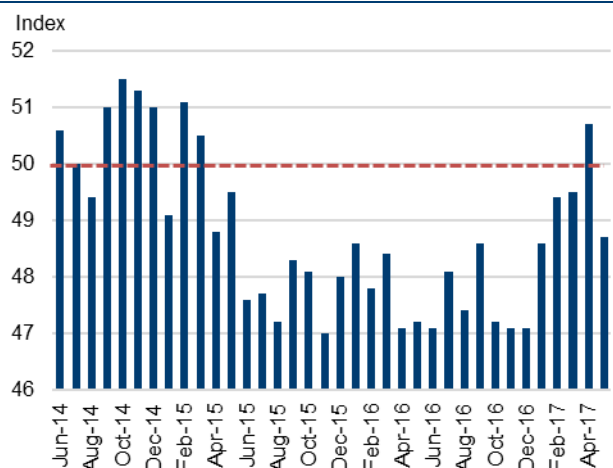


Chart 5: Commodities-related exports

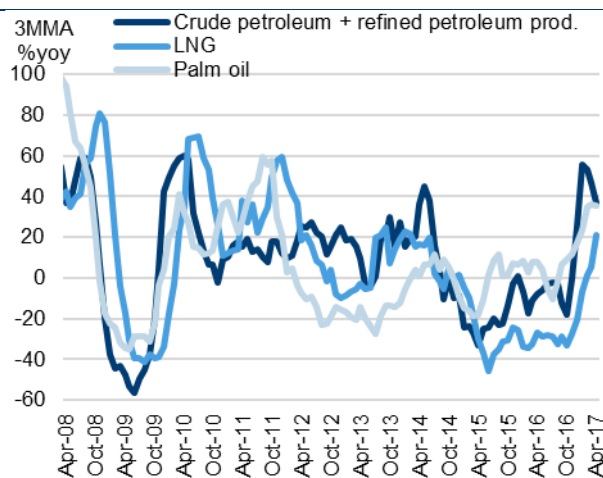
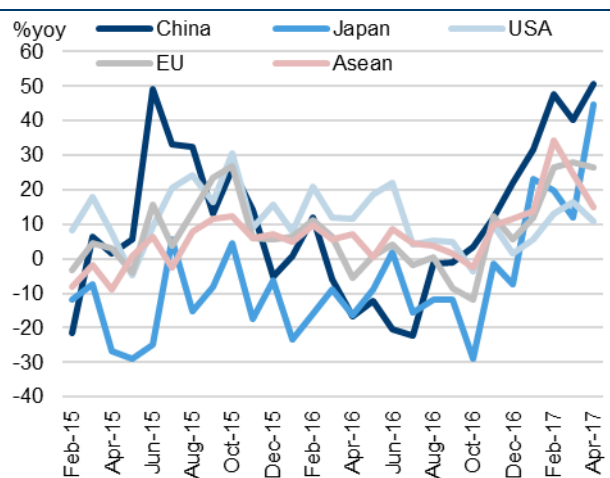


Chart 6: Exports by countries



Source: All data for charts sourced from DoS, BIS, Affin Hwang

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BUY	Total return is expected to exceed +10% over a 12-month period
HOLD	Total return is expected to be between -5% and +10% over a 12-month period
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