

Trade February Exports - the pace of contraction eased..

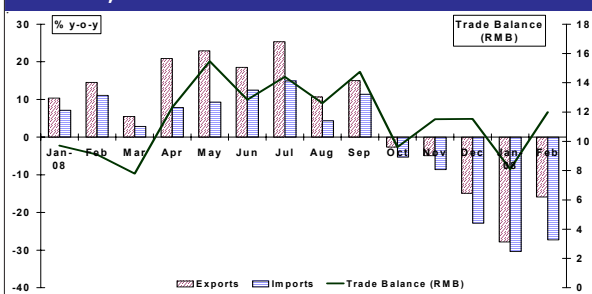
6 APRIL 2009
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MALAYSIA'S EXTERNAL TRADE (%oyoy)

% y-o-y	Imports	Exports	Trade Balance (Rmb)
2005	8.5	11.0	99.78
2006	10.8	10.3	108.19
2007	5.0	2.8	100.34
2008	3.3	9.6	142.01
Nov-08	-8.6	-4.9	11.51
Dec-08	-22.8	-14.9	11.54
Jan-08	-30.4	-27.9	8.11
Feb-08	-27.3	-15.9	11.97
1Q-08	6.8	9.9	26.83
2Q-08	9.9	20.8	40.64
3Q-08	10.1	16.8	41.76
4Q-08	-12.3	-7.5	32.77

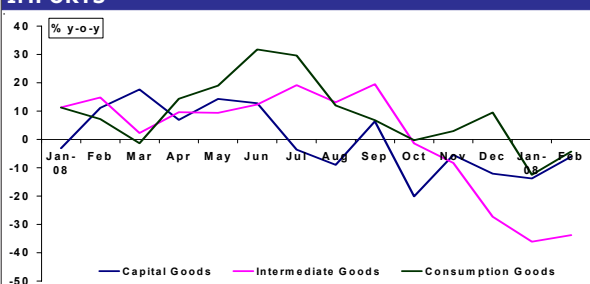
Source : Bank Negara Malaysia & Department of Statistics Malaysia

EXPORTS, IMPORTS & TRADE BALANCE



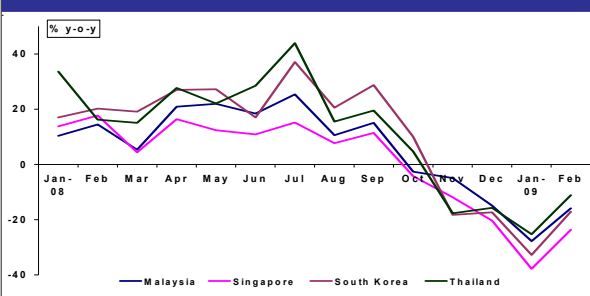
Source : Bank Negara Malaysia & Department of Statistics Malaysia

CAPITAL, INTERMEDIATE & CONSUMPTION GOODS IMPORTS



Source : Bank Negara Malaysia & Department of Statistics Malaysia

SELECTED REGIONAL COUNTRIES EXPORT GROWTH



Source : Bank Negara Malaysia & Department of Statistics Malaysia

- Malaysia's exports, for the fifth consecutive month, shrank 15.9% y-o-y in February 2009. The decline however was smaller than the 27.9% plunge recorded in January and way below the market and our expectations of -23.5% and -30.0% respectively. As expected and as in the previous four months, the weak February overall export performance was largely due to continuing lackluster demand for electrical & electronics (E&E) goods.
- On a monthly basis, total exports, however, turned around to grow by 3.4% following four straight months of decline as demand for E&E rebounded (+6.7% m-o-m) while the fall in other products receded. On the same breath, and destination-wise, exports to China surged 37.3% m-o-m to result in a 6.9% y-o-y expansion and supported by a smaller decline in exports to other developed markets such as US and Singapore.
- Imports meanwhile posted a smaller 8.4% m-o-m decline to also result in a smaller 27.3% y-o-y drop during the month. As imports continued to chart m-o-m decline amidst rising exports, Malaysia's trade surplus widened to RM12.0 billion in February compared with RM8.1 billion in January.
- In our view, while the positive developments on the export front had provided some comfort after several months of depressing data, it might be still too early to suggest a reversal in the external demand for Malaysia's goods as developments in major foreign markets remained cloudy. What is certain however is that as imports continued to remain weak in February, the March export data is not likely to offer any glimpse of a turnaround. Even if we are optimistic to expect a marginal m-o-m increase during the month, exports on an annualised basis would continue to post double-digit decline circa 15-20%.
- On average, we estimate exports and manufacturing sector to decline by 20.4% and 15.1% y-o-y respectively during 1Q09, both of which would weigh heavily on Malaysia's real GDP performance during the period. We nonetheless expect the setback could be buffered by continued expansion in domestic demand, albeit slower, and public spending. On balance, however, we believe that Malaysia's first quarter real GDP could have contracted by 3.0% y-o-y. At the estimated rate of decline, Malaysia could take some consolation when compared to other major economies such as Singapore which is adversely affected by the current global financial crisis.
- At this juncture, although we are currently seeing some positive developments in the commodity and financial markets, we are sticking to our view that Malaysia's overall economic performance will remain weak in the following two quarters. Any signs of a firmer recovery could possibly emerge in the final quarter of 2009. Our overall real GDP forecast for 2009 hence remained at -1.0% to -1.5%, smaller than the official forecast of -1.0% to +1.0%.