

Trade November Exports - double shrink!

8 JANUARY 2009
2009/0001

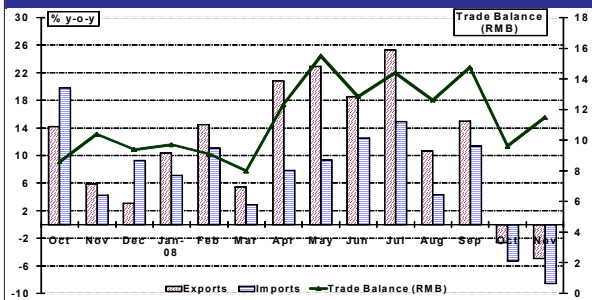
MALAYSIA'S EXTERNAL TRADE (%oyoy)

% y-o-y	Imports	Exports	Trade Balance (RMb)
2004	26.4	20.8	80.66
2005	8.5	11.0	99.78
2006	10.8	10.3	108.19
2007	5.0	2.8	100.34
Aug-08	4.4	10.7	12.61
Sept-08	11.4	15.0	14.74
Oct-08	-5.3	-2.6	9.62
Nov-08	-8.6	-4.9	11.49
4Q-07	11.2	7.6	28.40
1Q-08	6.8	9.9	26.83
2Q-08	9.9	20.8	40.64
3Q-08	10.3	16.9	41.56

Source : Bank Negara Malaysia & Department of Statistics Malaysia

- Malaysian exports contracted 4.9% y-o-y to RM51.8 billion in Nov (Oct: -2.61%), marked the second consecutive monthly drop since Oct, 08. The decline however was smaller than the economists' forecast of -5.7%. On m-o-m basis, exports fell by 3.1% (Oct:-14.2%).
- November exports fell the most since 2002 given the continued slump in global demand for electronics items. Electrical & electronics products (account for about 39.6% of total exports in Nov) dipped 10.2% y-o-y (Oct:-12.6%) but rebounded 4.1% m-o-m (Oct:-20.4%). On non-electronics front, sales of LNG increased 116% y-o-y (Oct: +95.3%) while crude petroleum and refined petroleum products dropped by 0.2% y-o-y (Oct: +5.8%) and 16.1% y-o-y (Oct: -45.5%) respectively. Exports of palm oil also fell to 4.6% y-o-y in Oct from 19.1% y-o-y in Nov. On monthly basis, the pace of decline was unchanged at 21%.

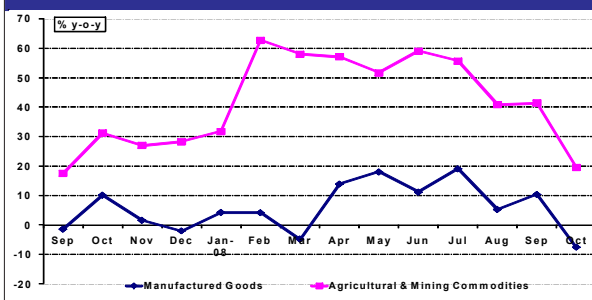
EXPORTS, IMPORTS & TRADE BALANCE



Source : Bank Negara Malaysia & Department of Statistics Malaysia

- Exports to the US contracted 17.2% y-o-y (Oct:-18.9 y-o-y) in Nov, signaled the fourth consecutive monthly drop since Aug, 08. On m-o-m basis, demand from the US contracted 2.1% (Nov) from -18.9%. Sales to China and Hong Kong also faltered during the month. On the other hand, exports to Japan gained higher by 40.9% y-o-y (Oct-33.4%) and increased 16.9% m-o-m (Oct: 4.7%). Imports fell 8.6% y-o-y to RM40.3% (Oct: -5.3%), marked the second monthly drop for last year. Trade surplus rose to RM11.5 billion from RM9.6 billion in Oct. From Jan-Nov, 08, exports rose 12.1% and imports grew 5.8%, bringing the overall trade surplus for the 11 months to RM130 billion. Exports for the whole of 2008 is likely to achieve our earlier prediction of 10.0% growth on concerns of strong export growth recorded in 1H08.

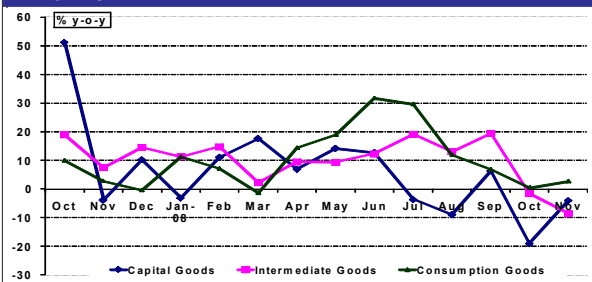
MANUFACTURED GOODS & COMMODITIES EXPORTS



Source : Bank Negara Malaysia & Department of Statistics Malaysia

- The current slump in exports is widely expected given the dismal outlook of the global economy. In the US, there are no signs that the economy is likely to recover from its financial chaos. To a certain extent, the fall out in the global financial system triggered by the US mortgage crisis is filtering into the real economy. Commodity prices also fell by more than 70%, putting downward pressure for the entire export value. Against this backdrop, we are expecting further decline in local export over the coming months. Most of the major economies have already slipped into recession, which support the case of slowing global growth as predicted by the IMF (down from 3.7% in 2008 to 2.2% in 2009).

CAPITAL, INTERMEDIATE & CONSUMPTION GOODS IMPORTS



Source : Bank Negara Malaysia & Department of Statistics Malaysia

- Given the two consecutive monthly drop in exports, this will indicate lower GDP growth for the final quarter of 2008. The economy is expected to grow at approximately 3.2% for the 4Q08, resulting a 5.5% gain in GDP growth for the whole 2008. For this year, we reckon that economic growth will continue to sustain, albeit at a slower pace on the back of expansionary fiscal and monetary policy taken by the government to further stimulate domestic spending. The current slump in global demand, in our view, will continue to drag down economic growth until 1H09, with a mild recovery is expected to occur by the end of this year.