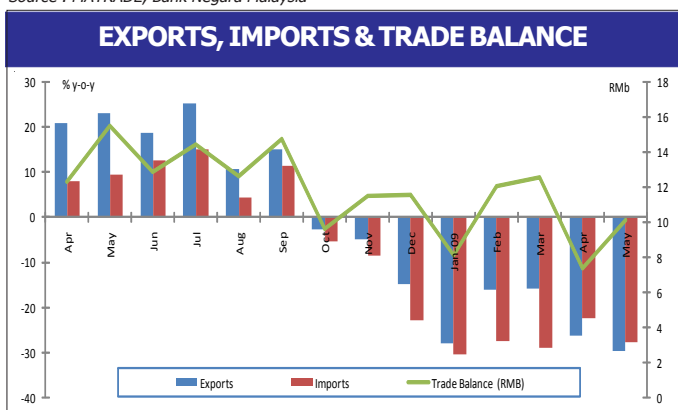


Malaysia: May external trade - the pain isn't over yet

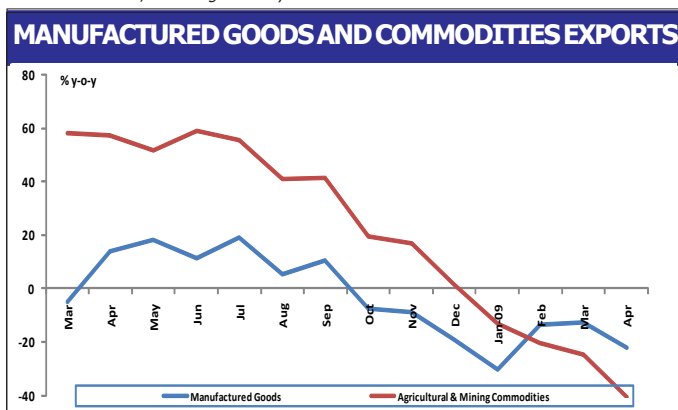
6 JULY 2009
2009/0034

EXTERNAL TRADE			
% YOY	Imports	Exports	Trade Balance(RMb)
2006	10.8	10.3	108.19
2007	5.0	2.8	100.34
2008	3.3	9.6	142.01
Mar-09	-29.0	-15.7	12.55
Apr-09	-22.5	-26.3	7.39
May-09	-27.8	-29.7	10.02
3Q-08	10.1	16.8	41.76
4Q-08	-8.9	-7.5	32.65
1Q-09	-29.0	-20.0	32.71

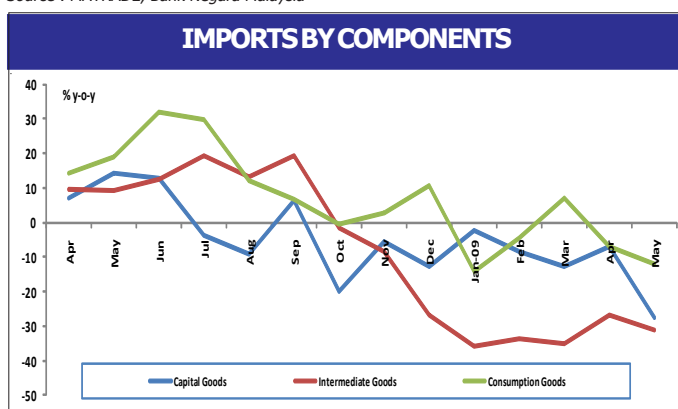
Source : MATRADE, Bank Negara Malaysia



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- The pain inflicted by the global economic crisis on Malaysia's external trade remained in May. Although exports were higher by 4.5% compared with April, the yearly decline deepened to 29.7%, the sharpest as far as our archive could show (since 1990). The lower commodity prices and the continued weak demand for electrical and electronics items further explained the larger double-digit decline in May exports.
- Imports, meanwhile, were down by 2.3% compared with the preceding month after registering increases in March and April. The annualized fall therefore deteriorated to 27.8% as against -22.5% in the earlier month. The downtrend was largely depressed by lower intermediate goods imports.
- The monthly rise in exports amidst a fall in imports has resulted in a wider RM10.0B trade surplus in May as compared to RM7.4B in April.
- It is unlikely that the current downtrend in external trade to deviate significantly in June such that for the whole of the 2Q09, overall exports could have declined by a larger 27.1% y-o-y, much weaker than the -20.0% posted in 1Q09. Likewise, imports could have also registered a sharp drop of 25.5% during the same quarter, although moderating from -29.0% in 1Q09.
- It is therefore possible that industrial activity, manufacturing particularly, could have also deteriorated in 2Q09 compared with a year ago. Pending the outcome of May industrial production statistics, scheduled this coming Thursday (July 9), at this juncture we retain our 2Q09 real GDP forecast at -4.6% y-o-y.
- The better 2Q09 real GDP figure (smaller contraction) vis-à-vis the 1Q09 is largely to reflect the positive effects from an accelerated public sector spending, and possibly some revival in consumer spending on the back of an upturn in the stock and commodity markets.
- Our whole of 2Q09 real GDP forecast remained at -4.0% on the expectation that the economic contraction would gradually eases as external demand recovers, and the effect of Government spending multiplies.
- We believe that a delay in fiscal stimulus spending (Budget spending plus the two additional stimulus packages), on the other hand, would only result in the 2Q09 real GDP performance not deviating much from the -6.2% seen in the 1Q09.