

Malaysia: April Exports - Still no let-up

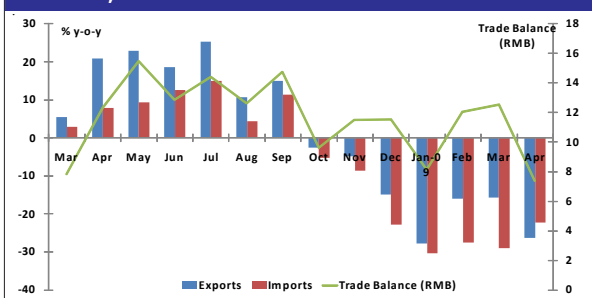
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MALAYSIA'S EXTERNAL TRADE (%oyoy)

% 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
Jan-09	-30.4	-27.9	8.11
Feb-09	-27.6	-16.0	12.06
Mar-09	-29.0	-15.7	12.55
Apr-09	-22.4	-26.3	7.36
2Q-08	9.9	20.8	40.64
3Q-08	10.1	16.8	41.76
4Q-08	-8.9	-7.5	32.66
1Q-09	-28.9	-20.0	32.67

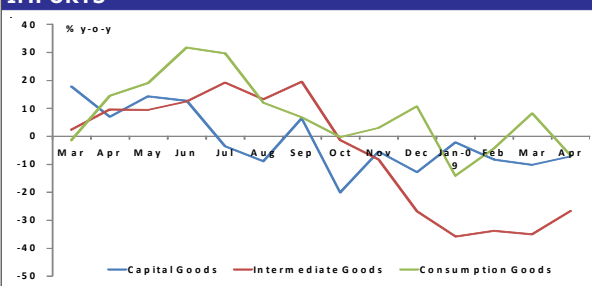
Source : Bank Negara Malaysia & Department of Statistics Malaysia

EXPORTS, IMPORTS & TRADE BALANCE



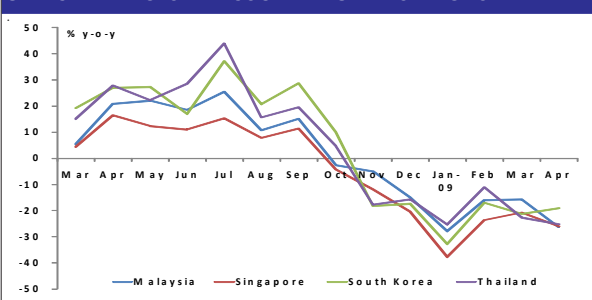
Source : Bank Negara Malaysia & Department of Statistics Malaysia

CAPITAL, INTERMEDIATE & CONSUMPTION GOODS IMPORTS



Source : Bank Negara Malaysia & Department of Statistics Malaysia

SELECTED REGIONAL COUNTRIES EXPORT GROWTH



Source : Bloomberg

- Malaysia's exports dropped sharply by 26.3% y-o-y in April, as against a 15.7% decline in March. This is the largest drop in four months and above consensus estimates of a 21.8% drop. The fall was larger than expected as demand for electrical and electronics items remained weak. The steeper drop was also due to high base effect from strong commodity prices last year.
- On m-o-m basis, exports also declined by 5.6% after a growth of 10.1% in March. The fall was largely due to lower demand from major trading partners. Demand from the US slowed, while exports to Singapore and China turned around to record a contraction in April, declining by 5.5% m-o-m and 3.3% m-o-m respectively.
- Imports fell at a slower pace of 22.4% y-o-y in April from a 29.0% drop in March. This was largely attributed to an improvement in the purchase of intermediate goods imports, which augurs well for future productions and exports. On the other hand, imports for consumption goods dipped, providing more evidence that the current economic crisis has affected domestic consumption. As exports fell sharper than imports, the trade surplus shrank significantly from RM12.5 billion in March to RM7.36 billion in April.
- Going forward, the early signs of a recovery in the global economic activity such as the strong growth in China's domestic demand could push up m-o-m exports in the following months. A positive reading on China's manufacturing activity, which expanded for the third consecutive month in May boosted hopes for a recovery in global demand.
- The global chip industry has also showed some signs of early recovery with better-than-expected global semiconductor products sales posted in April as inventory have been replenished. Even though there is doubt as to whether this could be sustained, we believe that producers will start to restock as inventories depleted.
- The continued acceleration in oil prices recently could also boost export value, hence cushioning the impact of a slowdown in demand for electronics products. The global crude oil prices gained 27% in May 09 from a month earlier, and is traded at US\$69.00/barrel (June 5, 09), posting its record high since November 08.
- We are of the view that the disappointing April figure will signal a weaker-than-expected start for the 2Q GDP for this year. Despite the anticipation that exports may increase on m-o-m basis as the economic contraction stabilizes, the y-o-y exports will likely to continue to record double-digit contraction for May and June this year due to high base effect, which probably could be worse than before. During the 1Q09, exports plunged 20.4% and manufacturing dropped 17.6%, pulling down the 1Q09 GDP to -6.2% y-o-y, which is the weakest drop since 1998.

- Based on the sluggish economic outlook, we are maintaining our GDP forecast for the 2Q to be in the region of -5.5% to -6.0%, before easing in the 3Q09. The tentative signs of recovery, if continue to persist, will be realized in the final quarter of this year. The impact of the two stimulus packages as well as the aggressive cut in the OPR are yet to be seen, and we look forward for more positive signs especially on the domestic front in order to gauge a better estimate on future economic direction. As exports continued to remain weak, we envisage that GDP for the whole of 2009 will fall between -4.0% to -4.5%, in line with the government revised forecast of -4.0% to -5.0%.