

## Trade March Exports - signs of stabilization?

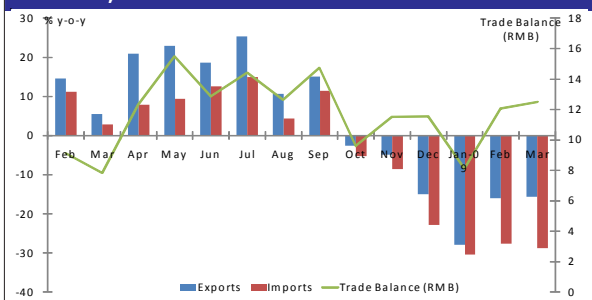
11 MAY 2009  
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### MALAYSIA'S EXTERNAL TRADE (%oyoy)

% 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
Dec-08	-22.8	-14.9	11.54
Jan-09	-30.4	-27.9	8.11
Feb-09	-27.6	-16.0	12.06
Mar-09	-28.7	-15.6	12.50
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

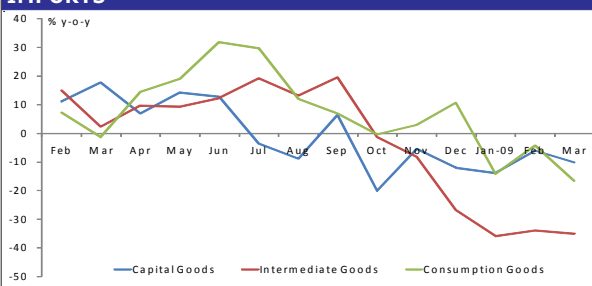
Source : Bank Negara Malaysia & Department of Statistics Malaysia

### EXPORTS, IMPORTS & TRADE BALANCE



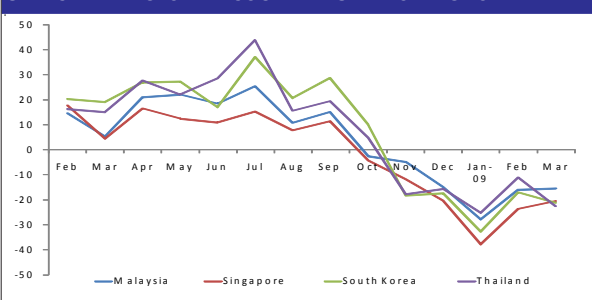
Source : Bank Negara Malaysia & Department of Statistics Malaysia

### CAPITAL, INTERMEDIATE & CONSUMPTION GOODS IMPORTS



Source : Bank Negara Malaysia & Department of Statistics Malaysia

### SELECTED REGIONAL COUNTRIES EXPORT GROWTH



Source : Bank Negara Malaysia & Department of Statistics Malaysia

- Malaysia's exports increased by 10.3% m-o-m in March 09. This was the second consecutive month where exports have recorded positive m-o-m growth after 4 straight months of decline (February 09: +3.4%). Growth in m-o-m exports was largely due to higher demand from China while the drop in exports to major trade partners such as Singapore and the US eased from the previous month. The positive trend was also reflected in the y-o-y trade performance as March exports contracted by a smaller magnitude of 15.6% from -16.0% registered in February 09, largely due to slower decline in electronics demand.
- On a m-o-m basis, imports rebounded by 13.3% in March 09, marking the first gain since October 08. The turnaround in imports of both capital and intermediate goods as well as the slower pace of contraction in consumption goods imports continued to support total imports for the month. Nonetheless, the y-o-y imports remained lackluster in March, which continued to record double-digit drop of -28.7%, led by further plunge in intermediate goods imports (-35.0%).
- We are of the view that improvement in several global economic indicators of late suggested that the global economy may bottom out in the near term, which is positive for local exports in the 2H09. Signs of improvement are already reflected by smoother decline for Malaysia's exports for two consecutive months, which move in tandem with other countries.
- Positive note can also be seen in higher commodity prices, with global crude oil prices currently standing at 2009 high (above USD58 per barrel) and palm oil prices rose higher by more than RM2,800 per tonne (highest since August, 2008). Rising commodity prices will at least, boost exports in value term and hence could offset the lackluster demand in E&E exports earnings.
- Despite the foregoing, we nonetheless remain cautious whether the positive development could be sustained as the global financial system remains unstable. We believe that, in order for the economy to recover, it will depend on how fast stability can be restored in the global financial sector and how effective the stimulus packages are in spurring economic growth. We also look forward for more eminent signs as the slower than expected decline in trade performance was also largely attributed to base effect and may be short-lived.
- On average, local exports had plunged by nearly 20% y-o-y in 1Q09 and 64% q-o-q (1Q08) as against the -7.5% y-o-y and -13.6% q-o-q in 4Q08. The steep fall in exports signifies that GDP will contract in 1Q09 (after recorded a minimal growth of 0.1% in the 4Q08), marking the first drop since 3Q01 (-0.4%). We think that 1QGDP could have contracted by 3.0% in 1Q09, and for the whole of 2009, we are maintaining our GDP forecast of -1.0% to -1.5%.