

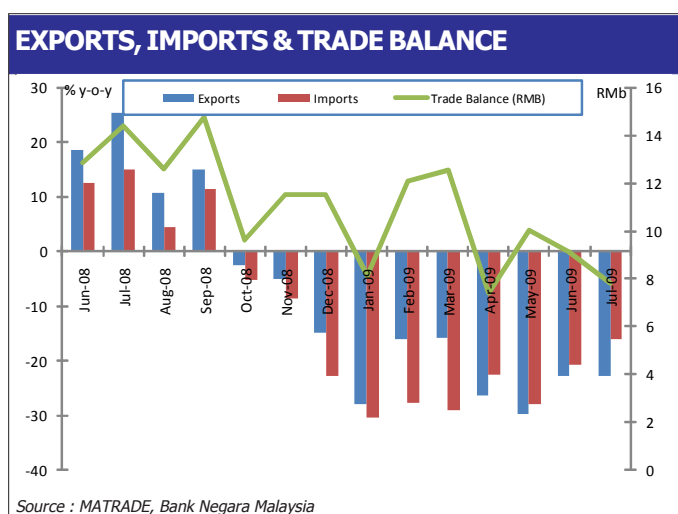
## Malaysia: July external trade - pacing economic recovery

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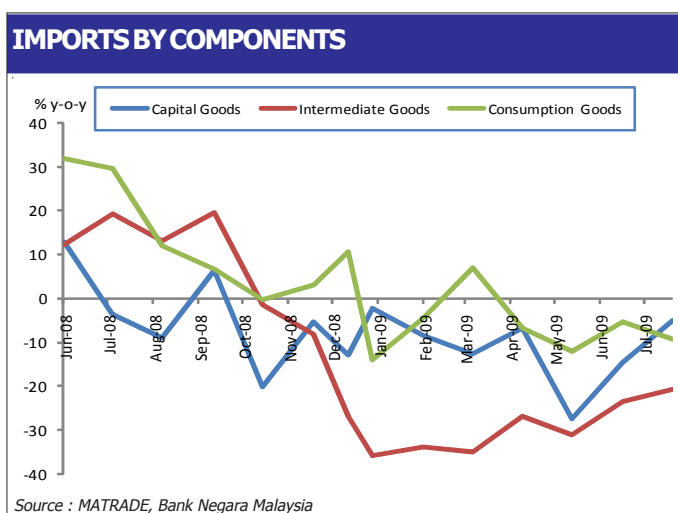
EXTERNAL TRADE			
% YOY	Exports	Imports	Trade Balance (Rmb)
2005	11.0	8.5	99.8
2006	10.3	10.8	108.2
2007	2.8	5.0	100.3
2008	9.6	3.3	142.0
Apr-09	-26.3	-22.5	7.4
May-09	-29.7	-27.8	10.0
Jun-09	-22.7	-20.9	9.1
Jul-09	-22.8	-16.0	7.8
3Q-08	16.8	10.1	41.8
4Q-08	-7.5	-8.9	32.7
1Q-09	-20.0	-29.0	32.7
2Q-09	-26.3	-23.7	26.5

Source : MATRADE, Bank Negara Malaysia

- The yearly contraction in July exports increased slightly to -22.8% from June decline of -22.7%, but outperforming the consensus estimates of -24.4%. This was in spite of an unfavorable base effect from July 08, when export growth peaked at 25.3% yoy. Exports rose 2.7% on a month-on-month seasonally adjusted basis, after the 4.6% increase in June.
- The rate of decline in exports of Electrical/Electronics products moderated (July: -15.6%, June: -16.9%) as monthly orders picked up. Electrical/electronics exports rose for the second consecutive month on a monthly basis (July: 11.0%, June: 4.5%). Optical/Scientific equipment exports also declined but stable at the same pace as in June (July: -19.6%, June: -19.7%).
- The annual decline for Liquefied Natural Gas (July: -31.6%, June: -43.3%) and refined petroleum products (July: -31.8%, June: -47.9%) moderated, but the base effects weighed on crude petroleum (Jul: -62.2%, Jun: -53.8%) and crude palm oil (Jul: -33.5%, June: -17.4%).



- In terms of countries, sharper drops in exports came from China, Japan, South Korea and Asean principally due the marked drop in primary commodity exports following falling prices. These were, however, mitigated by smaller declines in exports to the US and European Union and a pick-up in exports to Hong Kong.
- On the other hand, import decline showed a sharp moderation to -16.0% yoy vs. -20.9% yoy in June, outperforming consensus and our forecasts of -21.5% and -19.5%. This was led by capital goods imports, which fell at a significantly slower rate (Jul: -5.0%, June: -14.6%). The rate of decline in intermediate goods also moderated (Jul: -20.6%, June: -23.7%).



- On a monthly basis, imports rose for the second consecutive month (Jul: 14.2%, June: 9.3%). We believe this is likely reflecting re-stocking of parts and components in preparation for the export recovery. So far this year, export improvement on a m-o-m basis has been more muted compared to imports as recovery has been led by domestic demand. As a result, the trade surplus narrowed to RM7.81bn from RM9.12bn in June.
- While exports continue to remain weak, the June-July period marked the first two consecutive months of growth since May 2008, suggesting that recovery in the overall economy may be starting as Malaysia plays cyclical catch-up. Further improvements in exports for the rest of 2H09 can be expected, as order books fill up, supply bottlenecks ease, and base effects dissipate, which may set the stage for a bottoming out of the trade surplus.

- Going forward, the stabilized global credit conditions and signs of dissipating downside risks to economic growth might have somewhat boosted consumer and business confidence in the developed countries, judging from the global financial markets improvements. As it stands, global manufacturing and services activities have increased for the first time in 15 months in August, while contraction in global semiconductor sales continued to ease to -18.2% yoy from its largest dropped of -30.1% (since 2002) recorded in Mar 09.
- At this moment, positive developments were displayed by the better than expected quarterly GDP performance posted by major economies and even a few had made a turnaround to record positive growth during the

second quarter. Of significance was policymakers around the globe remained hopeful on recovery and next growth, at the same time, revised upwards their projections for this year.

- On that basis, we anticipate Malaysia's export performance to improve during 3Q09, contracting at a slower pace of around -20.0% y-o-y after recording -26.3% y-o-y in 2Q09. Perhaps, July's trade performance provides a better start for the third quarter export and overall growth this year. On the expectation the global economy to gain momentum after the third quarter, then exports could finally chart a positive growth during the last quarter of this year.

### EXPORTS- MAJOR PRODUCTS

	July			June		
	RMB	%yoy	%mom	RMB	%yoy	%mom
Electrical/Electronic products	20.68	-15.6	10.8	18.63	16.9	4.7
Crude Petroleum	1.84	-62.2	-8.8	2.02	53.8	7.1
Chemicals/Chemical products	3.00	-26.3	8.1	2.77	24.5	1.3
Liquefied Natural Gas	2.02	-31.6	11.5	1.81	-43.3	6.7
Palm Oil	3.56	-33.5	-2.4	3.65	-17.4	20.7
Refined petroleum products	1.93	-31.8	5.0	1.83	-47.9	17.3
Machinery/Appliances	1.70	-10.1	5.4	1.62	-9.0	12.9
Wood products	1.33	-16.0	12.9	1.18	-15.4	2.5
Optical/Scientific equipment	1.20	-19.6	19.5	1.00	-19.7	7.1
Manufactures of metal	1.24	-29.0	6.6	1.17	-28.4	3.7

Source : MATRADE, Bank Negara Malaysia

### EXPORTS- MAJOR COUNTRIES

	July			June		
	RMB	%yoy	%mom	RMB	%yoy	%mom
Singapore	7.066	-18.8	10.8	6.376	-32.6	3.6
USA	5.525	-29.0	10.6	4.995	-29.4	1.1
China	5.947	-16.8	14.0	5.215	-8.7	5.3
Japan	4.145	-32.7	-4.5	4.339	-26.1	25.3
Thailand	2.538	-12.9	0.4	2.528	-2.6	5.5
Hong Kong	2.837	1.7	28.3	2.211	-11.0	-1.4
Korea	1.539	-29.4	3.4	1.489	-25.4	-4.7
Australia	1.999	-29.2	15.0	1.739	-31.5	17.6

Source : MATRADE, Bank Negara Malaysia