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Malaysia External Trade : A Temporary Blip From Outsized March Data

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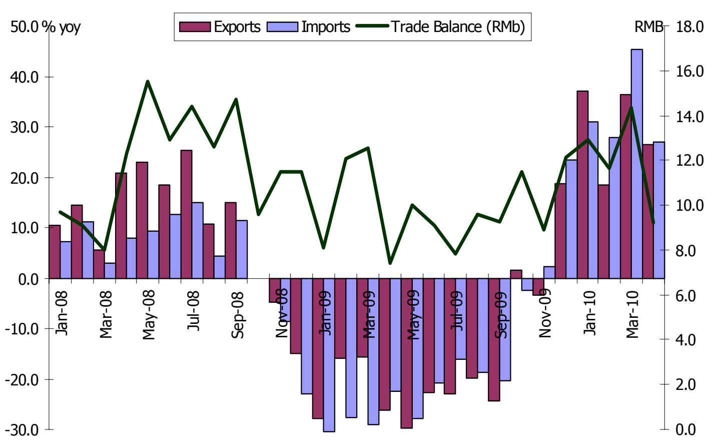
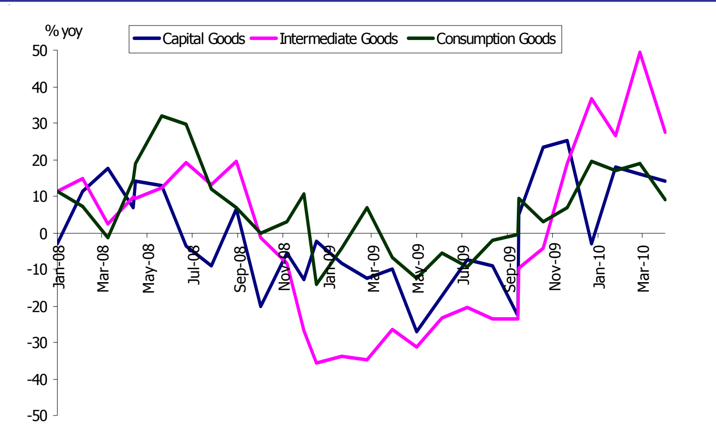
EXPORTS, IMPORTS & TRADE BALANCE



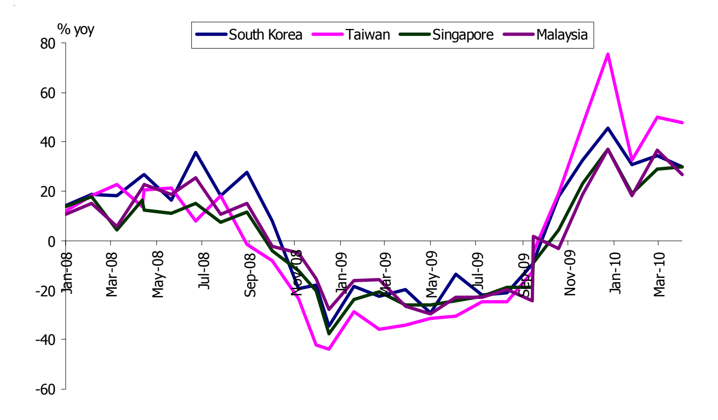
Source : MATRADE, Bank Negara Malaysia

IMPORTS BY COMPONENTS



Source : MATRADE, Bank Negara Malaysia

REGIONAL EXPORT PERFORMANCE



Source : MATRADE, Bank Negara Malaysia

- **Malaysia's export growth in April slowed to 26.6% yoy from 36.4% in March. It is also lower than our and consensus expectations of 37.0%. Despite the moderation, we believe exports to continue charting double-digit growth until September, though this could be limited by the European debt crisis and further tightening measures in other regional economies, especially China.**

- On a mom basis, exports contracted by 12.4%, steeper than the drop charted in January (-4.1%) and February (-10.7%). The larger than expected decline, however, does not cause concern given the outsized 26.9% gain posted in March. We believe exports would rebound in May given the improving global demand.

- All major export products continued to chart strong annual double-digit growths in April, led by crude petroleum and refined petroleum products. This was largely contributed by the base effects, as oil prices stood high above US$80 a barrel in April compared to US$50 a barrel a year earlier. Other export products which charted strong growth were optical & scientific equipment and liquefied natural gas. Total exports however was weighed down by a slower exports of electrical and electronics products (E&E) and palm oil. Exports of E&E items, which account 44% of total exports, rose to 21.6% yoy in April from 31.8% in March, due to reduced monthly demand from the developed economies. Exports of palm oil also recorded a monthly decline which resulted in the sharply slower yoy growth of 15.7% in April, which is also the slowest pace for the year.

- Most export markets continued to show strong double-digit growth in April, except for the US. Growth of exports to the US on an annual basis slowed significantly from 26.5% to 6.0% in April, reflecting the lower exports of E&E products. Exports to Japan charted the biggest annual gain, followed by China and Singapore. Despite the strong annual growth, exports to Japan and China on mom dropped significantly by double-digit, mainly on lower commodity exports, while Singapore contracted at a slower pace of 6.4% following reduced sales of E&E items. Singapore has moved back to become Malaysia's top export destination in April after overtaken by China in March.

- Similarly, import growth moderated but continued to record double-digit growth of 27.0% yoy in April from 31.0% in March, supported by double-digit expansion in capital and intermediate goods. Intermediate goods imports rose by 27.4% yoy but slower than the 49.4% increase in March, amidst a 4.6% monthly contraction after a robust 30.7% in the month earlier. Growth of imports of capital goods on the other hand slowed slightly to 14.0% yoy from 16.4% in March as manufacturers continued to increase their investment spending. Imports for consumption goods however charted a 9.2% annual increase from 18.8% in March as it fell mom by 8.5% after posted a strong 28.4% increase in March.

- As the value of monthly exports fell more than imports, the trade surplus narrowed to RM9.2 billion in April from RM14.3 billion in March. This is the first time that the trade surplus fell to below RM10.0 billion since November last year.

- We expect exports to continue registering double-digit growth during the following months, perhaps until the third quarter on account of further increases in global demand especially from Asian countries. However, the pace would be slower compared with 1Q as the base effects subside. Thus, this would help support growth of overall GDP at 8.0-8.5% in 2Q10 after the 10.1% gain in 1Q10.

- The growth outlook for the second half however remains a concern given the uncertainties in the Eurozone. While we do not expect a double-dip recession in the near to medium-term, the rising risks arise from the European debt crisis, further tightening measures in China, deflationary threat in Japan and the still high unemployment figure in the US, may dampen the sustainability of the global demand and hence weigh down export performance from the third quarter onwards.

EXTERNAL TRADE FIGURES

	RMB	April 2010		RMB	March 2010	
		% yoy	% mom		% yoy	% mom
External Trade						
Exports	52.0	26.6	-12.4	59.4	36.4	26.9
Imports	42.8	27.0	-5.1	45.3	31.0	28.2
Trade Balance	9.2			14.3		
Imports by Segments						
Intermediate Goods	29.3	27.4	-4.6	30.7	49.4	30.7
Capital Goods	6.1	14.0	4.0	5.9	16.4	17.0
Consumption Goods	2.8	9.2	-8.5	3.1	18.8	28.4
Exports- Major Products						
Electrical & Electronics Products	20.7	21.6	-7.3	22.3	31.8	23.2
Crude Petroleum	2.8	93.0	-7.3	3.0	55.8	-11.3
Chemicals & Chemical Products	3.4	26.2	-14.0	3.9	60.8	25.8
Liquified Natural Gas	2.6	33.2	-35.2	4.0	-11.4	50.7
Palm Oil	3.5	15.7	-21.7	4.4	49.3	29.1
Refined Petroleum Products	1.9	50.4	-10.9	2.2	29.6	10.7
Machinery, Appliances & Parts	1.8	23.2	-11.0	2.1	34.8	41.4
Optical & Scientific Equipment	1.5	45.1	-8.1	1.6	60.2	36.0
Manufacturers of Metal	1.5	17.7	-4.6	1.6	20.6	34.5
Exports- Major Markets						
Singapore	7.1	26.3	-6.4	7.6	27.6	26.1
USA	5.2	6.0	-10.1	5.8	26.5	35.7
China	6.5	28.0	-18.1	8.0	51.2	40.3
Japan	5.0	38.4	-12.9	5.8	29.9	21.9
Europe	n.a	n.a	n.a	n.a	n.a	n.a
Thailand	2.8	22.0	-24.9	3.7	64.2	13.9
Hong Kong	2.9	26.0	6.2	2.7	17.7	26.6
Commodity Prices						
Global Crude Oil (USD/bpd)	86.15	68.5	2.9	83.76	68.7	5.2
Palm Oil (RM/tonne)	2561	-5.5	-0.7	2580	21.9	-0.8

Source : MATRADE, Bloomberg, Research Divison PNB