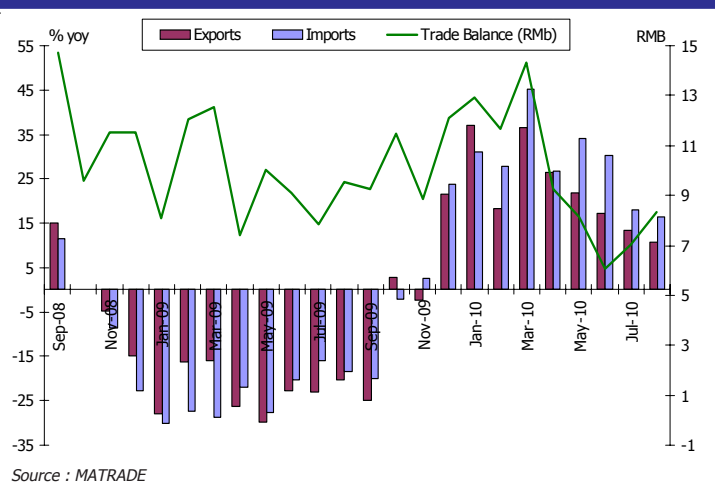


## Malaysia External Trade - Shifting Into Low Gear

11 OCTOBER 2010  
2010/036

### EXPORTS, IMPORTS & TRADE BALANCE



- Malaysia's export growth eased to 10.6% yoy in August from 13.5% in July, lower than our and consensus expectations of 17% and 14.7% respectively. This was the weakest pace charted in nine months. Further moderation in the export performance amidst the slowdown in global demand would translate into a slower GDP growth for the 3Q10.

- Exports on mom charted a drop of 4.6% in August from a 4.9% rise in the previous month. In terms of value, it remained 16% below its pre-crisis peak level. The bigger than expected monthly decline was attributed to the slowing demand from the advanced economies.

- Exports of E&E products decelerated in August with a growth of 3.8% yoy from 8.7% in July in response to a 4.8% monthly drop. The biggest drag came from Singapore and the US.

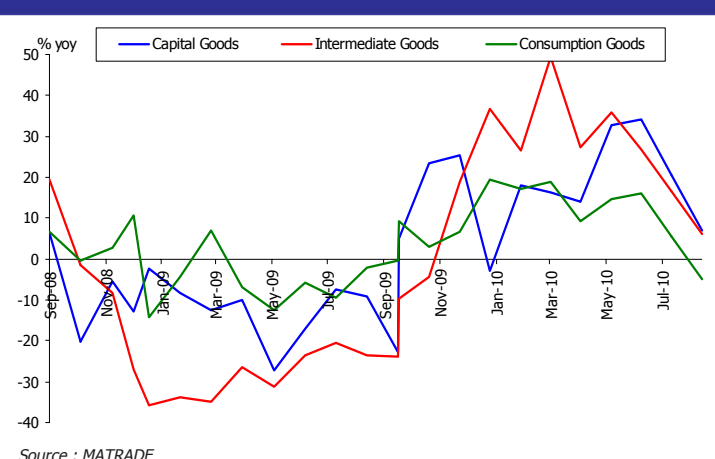
- Exports of non-electronics retained a double-digit annual increase in August but moderated to 15.7% yoy from 17.0% in July. Generally, most of the non-electronics items recorded strong double digit growth, except for the crude petroleum and palm oil. On a mom basis, the non-electronics exports declined by 4.5%. However, exports of crude petroleum charted an encouraging m-o-m growth of 23.2% in August (July: -8.5%), supported by a higher demand from China and Japan.

- Import growth also moderated in August to 16.5% yoy from 18.1% in July due to slower consumption and capital goods imports. On mom, total imports had contracted by 8.0% after showing an increase of 3.5% in July. However, imports of intermediate goods on yoy steadied although it declined on a mom basis, reflecting the positive base effect.

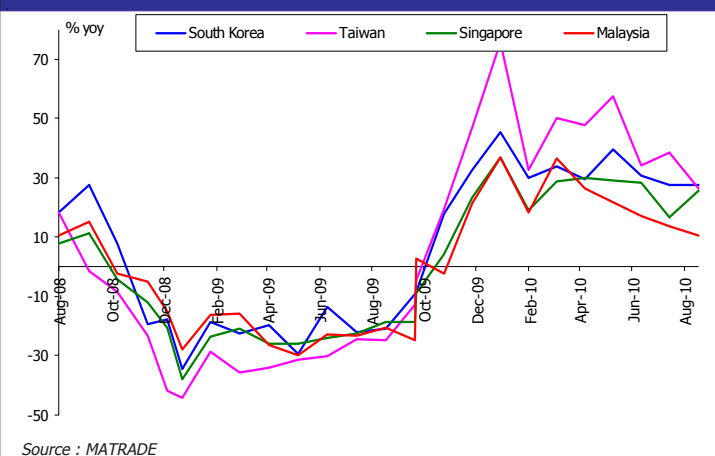
- As the monthly rate of drop in imports was faster than exports, the trade surplus in August widened to RM8.3 billion from RM7.0 billion in July. This would contribute positively to the 3Q balance of payment position.

- For the month of September, we expect local exports to continue charting a double-digit growth, faster than August at around 15% yoy on account of strong seasonal factor, higher commodity prices and low base effect.

### IMPORTS BY COMPONENTS



### REGIONAL EXPORT PERFORMANCE



- Going forward, we expect export growth to slow down amidst the weakening global growth outlook. The downside risks to the global economy have increased as reflected in the global manufacturing and services PMI data in September which had slipped to a 14-month low.

The IMF recently has also downgraded the global growth forecast for next year to 4.2% from an earlier 4.4%. At this juncture, we expect exports to show a single-digit growth of 1.5% yoy in 4Q10 from an average of 13.2% estimated for the 3Q10.

## EXTERNAL TRADE FIGURES

	RMB	August 2010		RMB	July 2010	
		% yoy	% mom		% yoy	% mom
<b>External Trade</b>						
Exports	52.9	10.6	-4.6	55.4	13.5	4.9
Imports	44.5	16.5	-8.0	48.4	18.1	3.5
Trade Balance	8.3			7.0		
<b>Imports by Segments</b>						
Intermediate Goods	31.3	17.3	-5.2	33.0	16.5	1.1
Capital Goods	6.1	14.0	-14.7	7.1	20.6	11.1
Consumption Goods	2.8	3.7	-9.4	3.0	5.5	2.0
<b>Exports- Major Products</b>						
Electrical & Electronics Products	21.4	3.8	-4.8	22.4	8.7	5.5
Crude Petroleum	2.7	2.0	23.2	2.2	18.7	-8.5
Chemicals & Chemical Products	3.3	14.6	-1.5	3.4	13.1	0.4
Liquified Natural Gas	3.2	86.6	-2.1	3.2	59.8	6.3
Palm Oil	3.3	8.8	-20.5	4.1	14.6	0.2
Refined Petroleum Products	2.3	26.9	-10.7	2.6	35.3	27.1
Machinery, Appliances & Parts	1.7	18.3	-5.4	1.8	7.0	-5.0
Optical & Scientific Equipment	1.6	32.5	-11.5	1.8	48.2	18.3
Manufacturers of Metal	1.5	22.3	-5.0	1.6	27.4	1.4
<b>Exports- Major Markets</b>						
Singapore	6.8	5.6	-6.6	7.4	4.2	6.3
USA	5.1	0.5	-8.8	5.1	1.7	4.8
China	6.7	2.4	0.3	6.7	12.6	0.2
Japan	5.8	28.4	9.5	5.8	27.6	3.0
Thailand	2.6	3.3	3.9	2.5	0.5	-4.8
Hong Kong	2.6	-7.9	-7.6	2.9	1.0	1.8
Korea	1.7	31.7	-21.9	2.1	39.6	22.8
<b>Commodity Prices</b>						
Global Crude Oil (USD/bpd)	71.9	2.8	-8.9	79.0	13.7	4.4
Palm Oil (RM/tonne)	2728	11.1	5.2	2592	13.7	6.7

Source : MATRADE, Bloomberg, Research Divison PNB