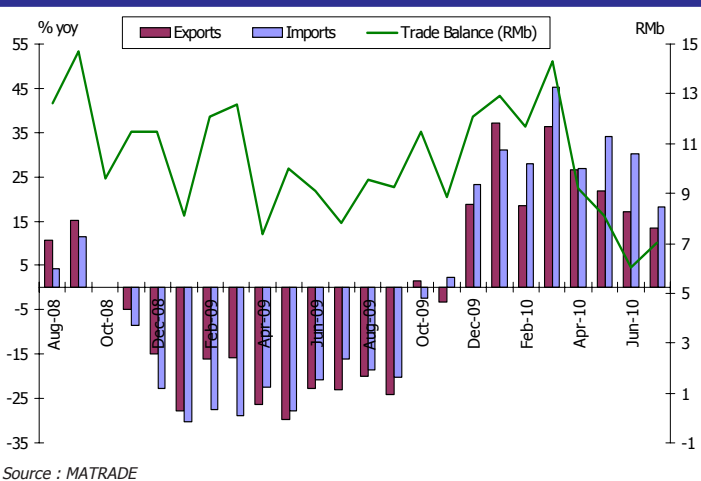


Malaysia External Trade - continue to trend lower

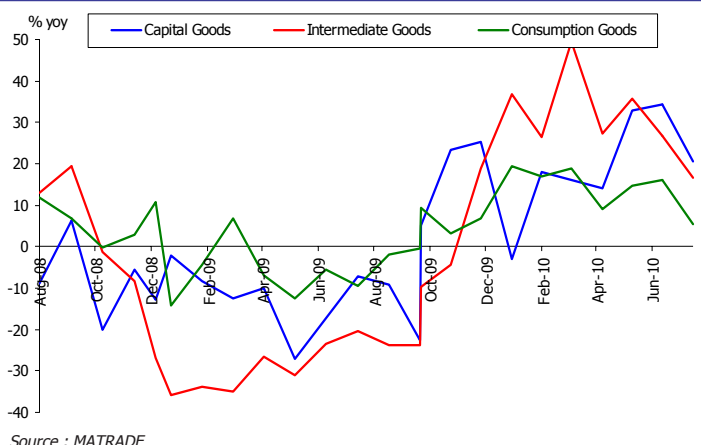
3 SEPTEMBER 2010
2010/034

EXPORTS, IMPORTS & TRADE BALANCE



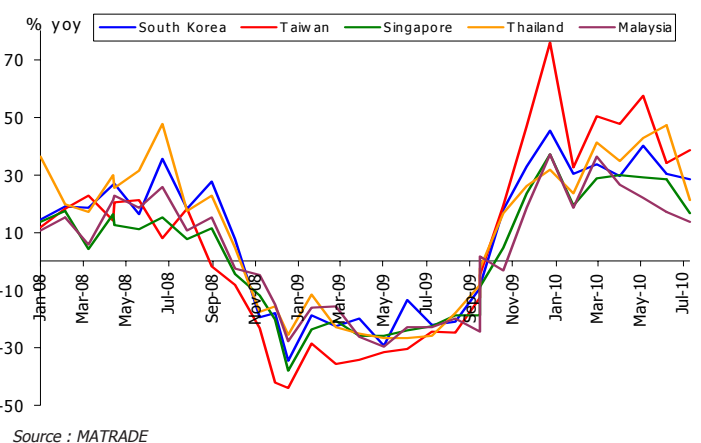
- Malaysia's exports grew 13.5% yoy to RM55.4 billion in July, outpacing our and consensus expectations of 11.5% and 11.7% respectively, but lower compared with the 17.2% pace charted in June. The growth of exports has been on a downward trend since January as the base effect normalized and international demand especially for manufactured goods decelerated. While we expect exports to continue charting double-digit expansion in the coming months, it will be at a slower pace on the back of moderating global growth momentum.

IMPORTS BY COMPONENTS



- Exports on mom had charted an increase of 4.9%, the fastest monthly growth charted for this year but it was below the 8.3% gain charted in the same month last year. The total values of exports in July was also 12% smaller compared with the pre-crisis peak of RM63.3 billion, suggesting that the country's exports have not fully recovered.

REGIONAL EXPORT PERFORMANCE



- The growth in overall exports had moderated in July principally on account of slower external demand for the electrical and electronics (E&E) products. Exports of E&E items in July had recorded a single-digit growth of 8.7% after seven months of double-digit expansion. This was mainly as a result of slower demand from the US (July: +4.2% yoy, June: +8.6%) and Singapore (July: +1.7% yoy, June: 7.2%).
- Total exports were also affected by the slower external demand for most of the non-E&E products. Nevertheless, growth in exports of palm oil, LNG and crude petroleum was stronger during the month, limiting the fall in total export values. This was supported by the improving demand from Japan which had partially offset the slower demand from China.
- Malaysia's export performance in July to a certain extent was consistent with that of the other countries. With the exception of Taiwan, exports of Singapore and Thailand moderated sharply during the month, while South Korea's export growth eased slightly.
- On the import front, its growth had also eased sharply to 18.1% yoy in July from 30.1% in June on the back of a slower monthly growth of 3.5% (June: +6.0%). This was attributed to the slower imports of intermediate goods and consumption goods, signaling further moderation in future

exports and slower consumer spending. Capital goods imports on the other hand grew strongly at 11.1% mom from 0.7% in June, supporting higher investment activities.

- As the slowdown in export growth was lesser than imports, the trade surplus widened to RM7.0 billion in July from RM6.0 billion in June, indicating a better current account balance for the 3Q10.

- Going forward, we expect exports to sustain double-digit growth but continues to slow due to slowing global demand and normalized base-effect. The double-digit expansion would be supported by the continuing strong demand from China and other countries in the Asian region. On that basis, we expect exports during the 2H10 to chart a growth of between 11%-23% from 26.1% in 1H10.

EXTERNAL TRADE FIGURES

	RMB	July 2010		RMB	June 2010	
		% yoy	% mom		% yoy	% mom
External Trade						
Exports	55.4	13.5	4.9	52.8	17.2	1.1
Imports	48.4	18.1	3.5	46.8	30.1	6.0
Trade Balance	7.0			6.0		
Imports by Segments						
Intermediate Goods	33.0	16.5	1.1	32.6	28.6	6.2
Capital Goods	7.1	20.6	11.1	6.4	34.2	0.7
Consumption Goods	3.1	5.5	1.9	3.0	16.0	10.6
Exports- Major Products						
Electrical & Electronics Products	22.4	8.7	5.5	21.3	14.1	5.9
Crude Petroleum	2.2	18.7	-8.5	2.4	18.4	-26.2
Chemicals & Chemical Products	3.4	13.1	0.4	3.4	20.8	-0.4
Liquefied Natural Gas	3.2	59.8	6.3	3.0	67.5	-6.9
Palm Oil	4.1	14.6	0.2	4.1	11.6	14.3
Refined Petroleum Products	2.6	35.3	27.1	2.1	11.8	-9.7
Machinery, Appliances & Parts	1.8	7.0	-5.0	1.9	19.0	1.0
Optical & Scientific Equipment	1.8	48.2	18.3	1.5	50.1	4.8
Manufacturers of Metal	1.6	27.4	1.4	1.5	32.0	1.1
Exports- Major Markets						
Singapore	7.4	4.2	6.3	6.9	8.6	0.0
USA	5.6	1.7	4.8	5.4	7.2	4.5
China	6.7	12.6	0.2	6.7	28.0	5.0
Japan	5.3	27.6	3.0	5.1	18.0	-1.2
Thailand	2.5	0.5	-4.8	2.7	5.8	-17.3
Hong Kong	2.9	1.0	1.8	2.7	27.4	3.7
Korea	2.1	39.6	22.8	2.8	17.5	-17.5
Commodity Prices						
Global Crude Oil (USD/bpd)	79.0	13.7	4.4	75.6	8.2	2.2
Palm Oil (RM/tonne)	2592	13.7	6.7	2430	7.8	-4.1

Source : MATRADE, Bloomberg, Research Divison PNB