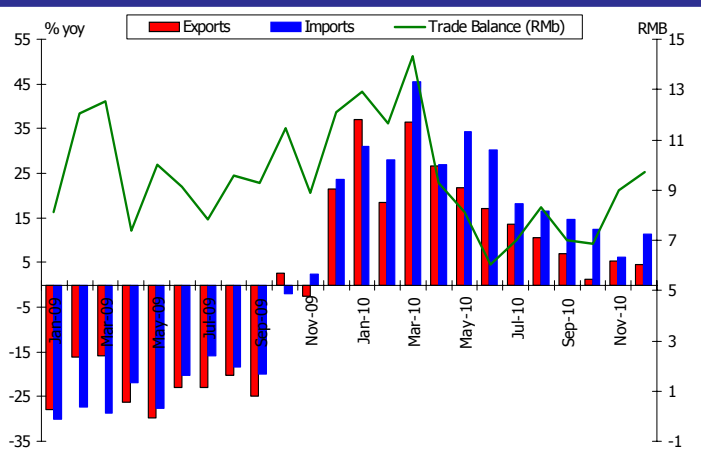
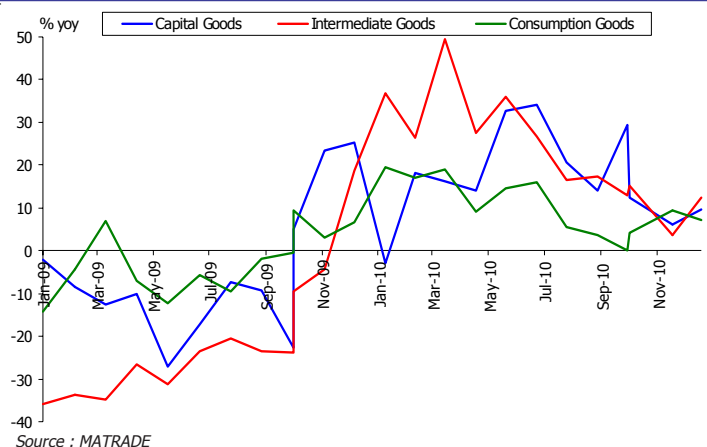


### EXPORTS, IMPORTS & TRADE BALANCE



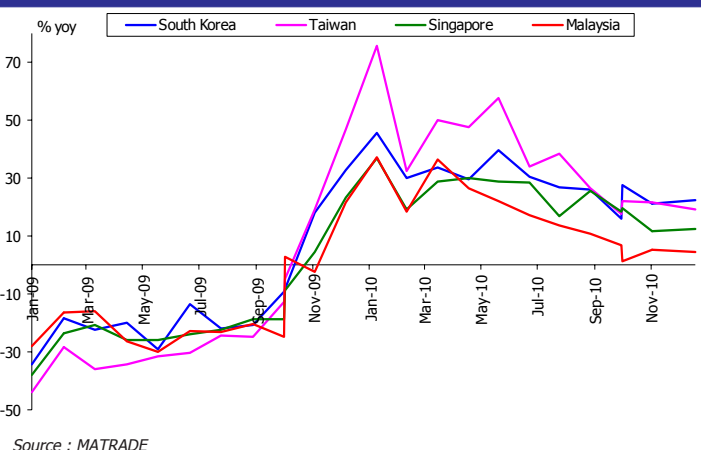
- Sustained growth.** Malaysia's exports grew 4.6% yoy in Dec, outpacing our and consensus' expectations of +2.2% and +0.9% respectively. Growth, however, eased from the 5.3% gain charted in Nov, mainly due to base effects from a double-digit growth of 18.7% in Dec 09. On a mom basis, exports rebounded by 8.5% after charting a decline of 4.1% in Nov. The strong monthly increase which reached a RM57.2 billion figure, was the highest ever export value recorded for Dec (since 1996). However, this was still below pre-crisis levels.
- Growth was led by electronics.** The contraction in the electrical and electronics (E&E) products narrowed to 6.8% yoy in Dec from 11.6% yoy in Nov. This was on the back of a sharp turnaround from -12.8% mom in Nov to +10.0% mom in Dec, supported by the rising demand from developed economies.

### IMPORTS BY COMPONENTS



- Non-electronics exports continued to expand on palm oil, chemical.** Palm oil exports, the second largest component after E&E, sustained its growth momentum of 45.3% yoy (Nov: +45.2%). Growth was further supported by an increase in exports of chemicals, charting a faster rate of 21.0% yoy (Nov: +20.7%). Exports of oil-related products, such as crude petroleum and liquefied natural gas (LNG), however, dropped during the month, thus limiting the increase in overall non-electronics exports. Growth in total non-electronics exports moderated to 12.6% yoy in Dec from 18.2% yoy in Nov.

### REGIONAL EXPORT PERFORMANCE



- Exports to the US improved, China eased.** The improving demand for E&E items was reflected in higher exports to the US. Exports to the US increased 14.4% mom in Dec, narrowing the annual drop to 4.6% from 16.9% in Nov. The encouraging monthly growth performance can also be seen in exports to Singapore (Dec: +8.8%, Nov: -6.0%) but the pace of decline on a yoy basis was faster (Dec: -5.0%, Nov: -1.3%). Exports to Asian countries such as Japan and Hong Kong also posted a healthy growth for the month. Exports to China, on the other hand, contracted on a monthly (Dec: -4.0%, Nov: +13.7%) and annual (Dec: -5.7%, Nov: +14.2%) basis, which weighed down the overall export growth performance in Dec.

- Imports strengthened on intermediate and consumption goods.** Imports increased by a double-digit rate of 11.5% yoy in Dec from 6.1% yoy in Nov. This was supported by a stronger annual growth in intermediate goods imports (Dec: +12.4%, Nov: +3.7%) and sustained consumption goods imports (Dec: +7.1%, Nov: +9.5%). The favorable increase in imports of intermediate goods, which also rebounded 9.8% mom in Dec from -13.6% mom in Nov, would augur well for future export performance. Likewise, imports of consumption goods on a mom basis charted a strong 12.5% increase during the month, thus reaffirming the stronger domestic demand that is expected to support GDP growth for the last quarter of 2010. Meanwhile, imports of capital goods posted a slower growth rate of 1.8% mom from 2.6% mom in November, indicating that manufacturers are still cautious of economic prospects. Its annual growth performance, however, improved from 6.1% in Nov to 9.8% in Dec, mainly due to base effects. As exports continued to outpace imports, the trade surplus widened to RM9.7bil in Dec from RM9.0bil in Nov.
- Lagged behind other regional economies.** Despite the higher than expected increase in exports, Malaysia's export performance still lagged behind other regional economies such as South Korea, Taiwan and Singapore which grew at a double-digit pace throughout the year.
- Slower 4Q10 exports led to moderation in 4Q10 GDP.** Exports grew 3.7% yoy in the 4Q10, slowing from 10.4% yoy charted in 3Q10 and was below the 5.1% increase charted in 4Q09. On a qoq basis, exports, however, were higher by 3.8%, mainly due to seasonal factors, compared with the small 1.0% gain in 3Q10. The slower annual export growth will weigh down the overall 4Q10 GDP, which is estimated to grow at 4.1% yoy from 5.3% in 3Q10.
- Growth was strong in 2010.** Exports rebounded by 15.6% for the whole of 2010 after declining by 16.6% in 2009. Total trade breached the RM1 trillion mark after posting a growth of 18.3% in 2010. It contracted by 16.5% in the previous year. The encouraging growth, according to Malaysia External Trade Development Corporation (Matrade), was attributed to the global economic recovery which boosted demand for both manufactured goods and commodities.
- Moderate 1H11 before rising upward in the 2H11.** We expect exports for this year to continue rising, albeit at a more moderate pace, following the recent recovery in global activities. This was shown by the positive development in the Global Manufacturing PMI, a leading indicator for manufacturing activity. The indicator leapt to 57.2 in Jan, the fastest pace in nine months, from 55.6 in Dec. Further signs of recovery can also be seen in the US, with its latest unemployment rate declining to 9.0% in Jan (the lowest level in 20 months) from 9.4% in Dec. The concerns over a sustained global recovery, however, remain following tightening monetary measures by Asian countries which seem to partly offset the recovery seen in the US, and thus, threatening a solid global recovery. In addition, the appreciation of the Ringgit against the US dollar, which reached RM3.03 per dollar on Feb 7 (a 13-year high) could also have an adverse impact on local exports in the immediate to short term. While these factors may lead to moderation in export growth during 1H11, we expect exports to resume its upward trajectory for the most part of 2011, once the global recovery gains a solid footing. Moreover, export growth will also benefit from government efforts to diversify and strengthen export performance as a strategy to cushion against uncertainties emanating from trade partners.

## EXTERNAL TRADE FIGURES

	RMB	December 2010		RMB	November 2010	
		% yoy	% mom		% yoy	% mom
<b>External Trade</b>						
Exports	57.2	4.6	8.5	52.7	5.3	-4.1
Imports	47.5	11.5	8.6	43.7	6.1	-9.2
Trade Balance	9.7			9.0		
<b>Imports by Segments</b>						
Intermediate Goods	31.8	12.4	9.8	28.9	3.7	-13.6
Capital Goods	7.4	9.8	1.8	7.2	6.1	2.6
Consumption Goods	3.3	7.1	12.5	2.9	9.5	4.9
<b>Exports- Major Products</b>						
Electrical & Electronics Products	21.1	-6.8	10.0	19.2	-11.6	-12.8
Crude Petroleum	2.3	-28.8	-7.3	2.5	-3.7	66.8
Chemicals & Chemical Products	3.8	20.6	8.3	3.5	20.5	6.2
Liquified Natural Gas	3.3	-0.6	3.8	3.2	28.2	6.6
Palm Oil	5.0	45.4	-1.2	5.1	45.2	22.7
Refined Petroleum Products	3.4	46.6	34.2	2.5	34.2	-23.9
Machinery, Appliances & Parts	1.9	-2.3	16.7	1.6	3.6	-12.4
Optical & Scientific Equipment	1.5	20.9	-0.2	1.5	27.1	-19.1
Manufacturers of Metal	1.9	32.5	6.4	1.7	36.9	11.6
<b>Exports- Major Markets</b>						
Singapore	7.9	5.0	8.8	7.3	-1.3	-6.0
USA	5.2	-4.6	14.4	4.6	-16.9	-14.1
China	6.9	-5.7	-4.0	7.2	14.2	13.7
Japan	6.2	11.7	7.5	5.8	17.3	-0.2
Thailand	3.0	3.6	9.7	2.7	-11.3	15.8
Hong Kong	2.8	-0.2	9.4	2.6	-7.1	-7.1
Korea	2.2	4.7	27.3	1.7	-14.1	-21.1
<b>Commodity Prices</b>						
Global Crude Oil (USD/bpd)	91.4	15.5	8.6	84.1	8.8	3.3
Palm Oil (RM/tonne)	3759	45.1	9.2	3442	41.8	12.4
<b>Currency RM/USD</b>	3.060			3.170		

Source : MATRADE, Bloomberg, Research Divison PNB