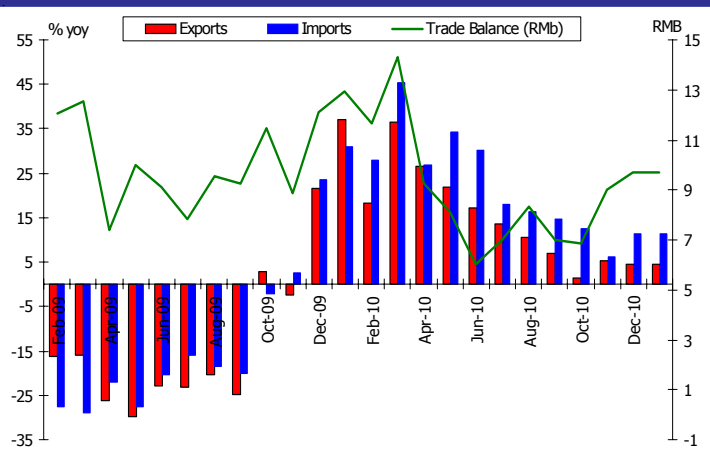


MALAYSIA EXTERNAL TRADE - GROWING SLOWER

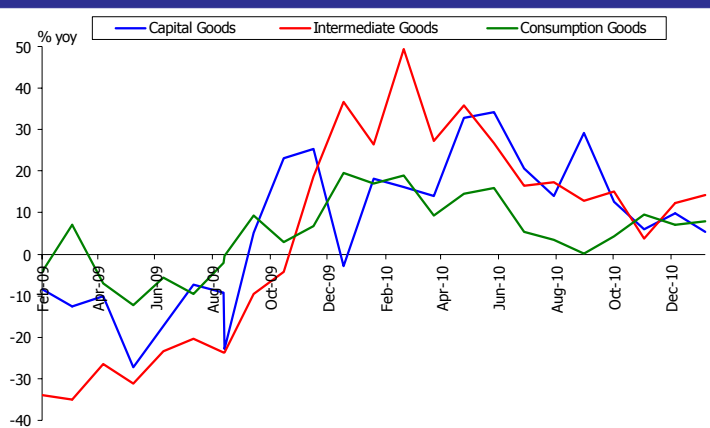
8 MARCH 2011
2011/07

EXPORTS, IMPORTS & TRADE BALANCE



- Growth slowed in January.** Exports grew at a slower pace of 3.0% yoy in Jan 2011 from 4.6% yoy in Dec 2010. This exceeded our expectation of a 1.5% yoy gain but slower than the consensus forecast of a 4.4% yoy increase. On a mom basis, exports fell 5.5% in Jan from +8.5% in Dec. The monthly decline, however, was smaller compared with the average -6.9% charted during the pre-crisis period (2003-2007).
- Dragged down by E&E products.** Exports of electrical and electronics (E&E) products dropped sharply by 19.0% yoy in Jan, the fastest decline in five months, from -6.8% in Dec. This was on the back of an 18.1% mom decline, which erased the 10.0% mom gain charted in Dec.

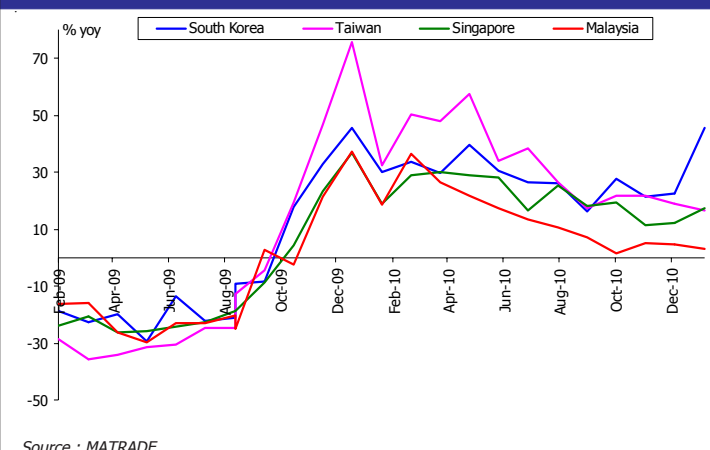
IMPORTS BY COMPONENTS



- Non-electronics supported export growth.** Non-electronics exports sustained its double-digit growth momentum, spurred by higher exports of oil-commodity products. Exports of refined petroleum products grew 62.5% yoy, followed by palm oil (+22.2% yoy) and crude petroleum (+21.8% yoy). Higher exports of commodity items had been partly contributed by the higher global oil prices in Jan (US\$97/barrel) as compared to a year earlier (Jan 10: USD73/barrel), which helped accelerate exports of overall non-electronics exports to 18.2% yoy from 12.6% in Dec.

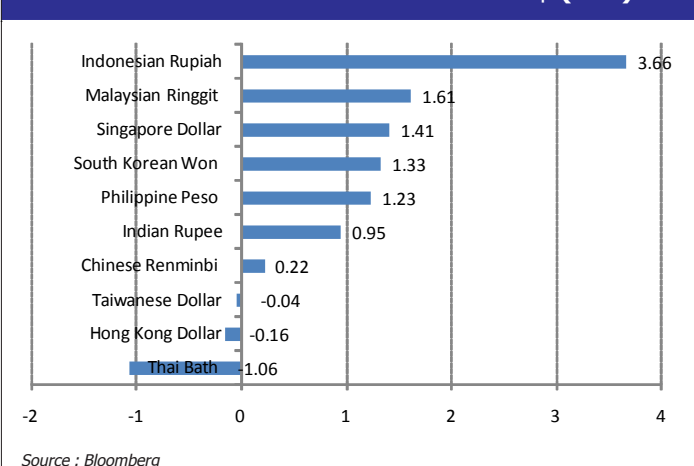
- Exports to the US and China declined.** The falling external demand for E&E items was reflected in the annual drop in exports to the US (Jan:-7.5%, Dec:-4.6%). On a mom basis, exports to the US fell sharply by 12.7%, nearly offsetting the 14.4% gain recorded in Dec. Similarly, exports to China and Hong Kong remained lackluster during the month. However, overall exports to the other Asian countries, particularly Singapore, Japan, India, Thailand, and Australia continued at a strong pace.

REGIONAL EXPORT PERFORMANCE



- Intermediate and consumption goods to support higher imports.** Imports grew faster by 13.5% yoy in Jan from 11.5% yoy in Dec. The gain in imports was supported by the further expansion in imports of intermediate goods (Jan:+14.2%, Dec:+12.4%) and consumption goods (Jan:+8.0%, Dec: +7.2%). The increase in total imports, however, was mitigated by the weak performance in imports of capital goods, which charted a slower growth rate of 5.4% yoy in Jan from 9.8% yoy in Dec. Imports of capital goods, on a

TOTAL RETURN ASIAN CURRENCIES VS US\$ (YTD)



mom basis, charted a sharp decline of 23.9% from a 1.8% gain in Dec, suggesting lower private investments beginning of the year.

- **Trade surplus dropped by RM0.5 billion.** As exports were lower than imports, the trade surplus narrowed from RM9.7 billion in Dec to RM9.2 billion in Jan, pointing to a smaller current account position during the 1Q11.
- **January's exports still lagged other regional economies.** Malaysia's exports in January still lagged behind other regional economies which continued to chart a strong double-digit growth.
- **Export growth is likely to sustain as global recovery strengthens.** The global recovery appears to strengthen in February, giving hope of a higher external demand for local products. The JP Morgan Global All Industry Output Index, which combines manufacturing and services data, for instance, was encouraging when it rose to 59.4 in Feb, the highest reading since Apr 06, from 58.3 in Jan. The positive global growth outlook was further strengthened by improvements in the US economic outlook following the recovery in its labor market. The US unemployment rates in Feb fell to 8.9%, the lowest in two years, from 9.0% in Jan.

- **Renewed tensions in Middle East however threaten global growth outlook.** The renewed tensions in the Middle East countries have caused further spikes in global oil prices. On Mar 2, global oil prices breached the USD100 mark and were trading at USD106/barrel on Mar 7 (the highest since Sept 08) on heightened concerns about supply disruption due to the deepening unrest in Middle East countries. This has also raised worries over a faster increase in global inflation rates that previously caused most Asian policy makers to embark on monetary tightening policy measures, which could slow growth further.
- **Local exports to benefit from the run-up in global oil prices..** Despite the negative impact from the spike in global crude oil prices, this would be positive for commodity-related exports in terms of higher export values. In February, global oil prices increased by 5% to USD97/barrel from USD92/barrel in Jan, hinting at sustained exports for commodity products during the month.
- **.. but could be cushioned by a strong Ringgit.** The slower January exports partly could also be attributed to a stronger Ringgit. Ringgit continued to strengthen by 12% to 3.046 against the US dollar in Feb from 3.397 in the same month last year. Ringgit also appreciated by 1% from 3.056 in the preceding month. It reached the 3.0240 level on Feb 18, the strongest since Oct 1997. The Ringgit appreciation against the US dollar for this year has also outpaced the other Asian currencies, resulting in the prices of Malaysian exports to the US to rise faster compared to others in the region.
- **Moderate 1H11 before rising upward in the 2H11.** On the expectation of a slight improvement in demand from the US and a sustained increase in commodity exports, total exports would have recorded a faster growth - albeit moderately due to Chinese New Year holidays- around 5.0% yoy in Feb from 3.0% yoy in Jan. Export growth is expected to remain moderate until the 1H11, before accelerating at a double-digit pace during 2H11 on the back of a steadier global recovery, diminishing base effects, and hopes of an easing political tensions in the Middle East.

EXTERNAL TRADE FIGURES

	RMB	January 2011		RMB	December 2010	
		% yoy	% mom		% yoy	% mom
External Trade						
Exports	54.0	3.0	-5.5	57.2	4.6	8.5
Imports	44.9	13.5	-5.5	47.5	11.5	8.6
Trade Balance	9.2			9.7		
Imports by Segments						
Intermediate Goods	31.1	14.2	-2.0	31.8	12.4	9.8
Capital Goods	5.6	5.4	-23.9	7.4	9.8	1.8
Consumption Goods	3.1	8.0	-7.8	3.3	7.1	12.5
Exports- Major Products						
Electrical & Electronics Products	17.3	-19.0	-18.1	21.1	-6.8	10.0
Crude Petroleum	3.0	21.8	30.3	2.3	-28.8	-7.3
Chemicals & Chemical Products	3.4	8.2	-9.5	3.8	20.6	8.3
Liquified Natural Gas	3.6	5.2	8.8	3.3	-0.6	3.8
Palm Oil	4.9	22.2	-2.7	5.0	45.4	-1.2
Refined Petroleum Products	3.0	62.5	-9.8	3.4	46.6	34.2
Machinery, Appliances & Parts	1.9	14.0	-0.5	1.9	-2.3	16.7
Optical & Scientific Equipment	1.5	2.7	-3.2	1.5	20.9	-0.2
Manufacturers of Metal	1.7	9.9	-6.7	1.9	32.5	6.4
Exports- Major Markets						
Singapore	7.4	7.1	-5.8	7.9	5.0	8.8
USA	4.5	-7.5	-12.7	5.2	-4.6	14.4
China	6.1	-13.5	-11.2	6.9	-5.7	-4.0
Japan	6.1	4.9	-1.4	6.2	11.7	7.5
India	2.1	30.6	-6.5	2.2	31.7	38.6
Thailand	3.0	7.3	0.2	3.0	3.6	9.7
Hong Kong	2.2	-25.1	-24.0	2.8	-0.2	9.4
Korea	2.0	-4.5	-5.8	2.2	4.7	27.3
Commodity Prices						
Global Crude Oil (USD/bpd)	92.2	26.5	1.0	91.4	15.2	8.6
Palm Oil (RM/tonne)	3765	54.5	0.2	3759	45.1	9.2
Currency RM/USD	3.056			3.060		

Source : MATRADE, Bloomberg, Research Divison PNB