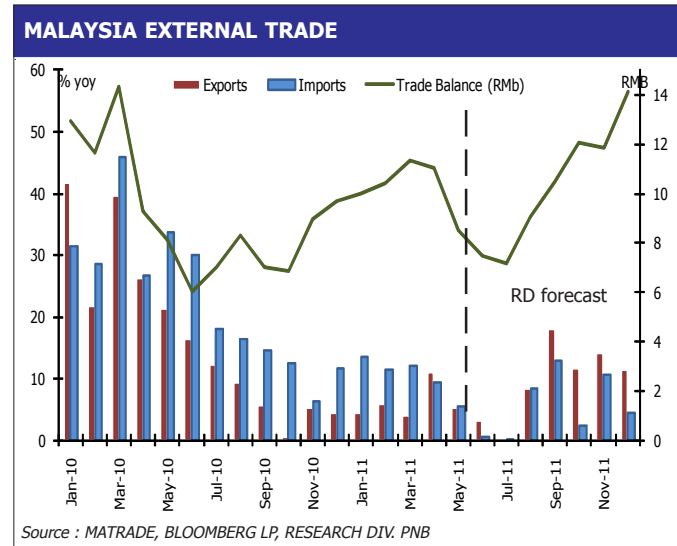


While exports in April grew remarkably higher by 11%, a further drop in electronics exports, largely due to supply disruptions from Japan, has halved export growth to 5.4% in May. Apart from E&E items, a drop in oil-related products further weighed down exports. The increase in palm oil and chemical products, however, had partially offset the decline in total exports. Import growth also slowed by 5.6% from 9.4% in Apr'11, following further slowdown in intermediate and capital goods imports. Consumption goods imports on the other hand, sustained its growth momentum, strengthening the case of a stronger domestic demand in 2Q11. Given that the pace of decline in exports was steeper than imports, the overall trade surplus continued to shrink by RM2.6bil to RM8.5bil in May. Meanwhile, slower exports could have weighed down the country's overall economic performance in 2Q11, but we expect real GDP growth rate to decelerate slightly to 4.3%, backed by strong domestic demand, from 4.6% in 1Q11 and 4.8% in 4Q10.



- Growth eased by half.** Export growth unexpectedly eased by half compared with the pace registered in April. In May, exports grew substantially slower by 5.4% yoy from 11.0% yoy in April. It is also below the 10-11% forecast by consensus. On mom, exports fell by 4.7%, the 2nd consecutive fall, but narrowing from -6.6% in April. Lower earnings from the electrical and electronics sales as well as a reduced in proceeds from oil and gas had dampened total export growth during the month.
- Further slump in electronics exports.** The electrical and electronics (E&E) exports fell for the second consecutive month in May (May'11:-5.0% yoy, Apr'11:-4.0% yoy). This was attributed to the global supply chain disruptions caused by Japan's earthquake. The dismal performance in electronics exports was also due to slowing global growth, hence global demand particularly from major trade partners such as the US and Singapore.
- Oil-related products jointly contributed to slower growth.** After charting a strong double-digit growth in April, the exports of oil and related products fell sharply in May. While exports of LNG contracted by 4.5% (Apr'11:+64.8%), exports of refined petroleum products had declined by 9.0% (Apr'11:+56.5%). Exports of crude petroleum also recorded a drop of 2.0% (Apr'11:+5.6%) despite the strong increase in global crude oil prices (May'11:+39%, Apr'11:+32%), indicating reduced quantity. Palm oil and chemicals/chemical products however charted an encouraging growth performance, cushioning the overall slide in export growth during the month. The significantly stronger growth in palm oil exports (+49.3%) has attributed mainly to the higher palm oil prices, reaching RM3500/tonne in May as compared to RM3350/tonne in April and RM3367/tonne in March. The overall non-electronics exports however charted a slower growth rate of 11.8% yoy from 21.1% yoy in Apr'11.

### EXTERNAL TRADE FIGURES

	MAY 2011			APRIL 2011		
	RMbln	% mom	% yoy	RMbln	% mom	% yoy
<b>Total Exports</b>	55.09	-4.7	5.4	57.80	-6.6	11.1
-Electrical & Electronics Products	19.08	-8.7	-5.0	19.85	-8.7	-4.0
-Non Electrical & Electronics Products	36.0	-5.1	11.8	37.90	-0.3	21.1
<b>Total Imports</b>	46.61	-0.4	5.6	46.79	-7.4	9.4
-Intermediate Goods	31.7	-1.1	3.2	32.06	-7.8	9.5
-Capital Goods	6.25	-1.1	-1.9	6.32	-10.3	2.9
-Consumption Goods	3.31	0.6	20.4	3.29	-1.4	16.3
<b>Trade Balance</b>	8.49					

Source : MATRADE, DOS, RESEARCH DIVISION PNB

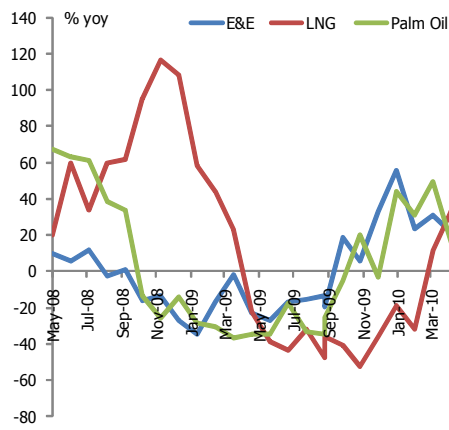
**EXTERNAL TRADE FIGURES**

	MAY 2011			APRIL 2011		
	RMbIn	% mom	% yoy	RMbIn	% mom	% yoy
<b>Exports- Major Products</b>						
-Electrical & Electronics Products	19.08	-3.9	-5.0	19.85	-8.7	-4.0
-Crude Petroleum	3.17	7.5	-2.0	2.95	7.5	5.6
-Chemicals & Chemical Products	4.03	10.8	19.8	3.64	-16.8	8.4
-Liquified Natural Gas	3.12	-26.8	-4.5	4.26	12.5	64.8
-Palm Oil	5.33	10.0	49.3	4.84	-10.7	40.0
-Refined Petroleum Products	2.07	-31.3	-9.0	3.01	-17.5	56.5
-Machinery, Appliances & Parts	2.00	-3.5	5.0	2.07	-1.8	10.2
-Optical & Scientific Equipment	1.46	-20.6	1.5	1.83	11.1	25.7
-Manufacturers of Metal	1.64	-7.6	7.6	1.77	-4.9	16.7
<b>Exports- Major Markets</b>						
-Singapore	6.67	-9.5	-3.6	7.38	-5.2	4.1
-USA	4.66	-4.8	-9.0	4.90	-4.0	-5.8
-China	7.01	0.4	10.4	6.99	-19.0	7.1
-Japan	6.01	-11.9	15.9	6.82	3.3	35.1
-India	2.16	2.7	34.0	2.11	-6.8	49.2
-Thailand	2.88	-4.7	-11.0	3.02	-3.9	7.8
-Hong Kong	2.63	-6.9	-3.2	2.83	-5.6	-2.1
-Korea	2.12	-9.6	-0.1	2.35	10.6	36.4
<b>Commodity Prices</b>						
-Global Crude Oil (USD/bpd)	102.7	-9.9	38.8	113.9	6.8	32.3
-Palm Oil (RM/tonne)	3500.0	4.5	38.1	3350.0	-0.5	30.8
<b>Currency RM/USD</b>	3.013			2.960		

Source : MATRADE, DOS, RESEARCH DIVISION PNB

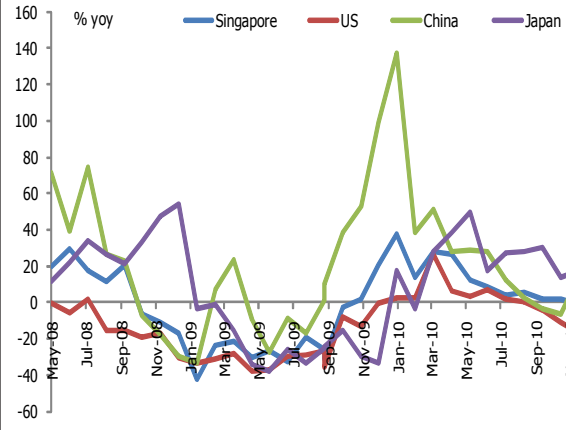
- A drop in exports to the US and S'pore outweighed gain from China.** By country, exports to Singapore and the US had chartered declines on both the annual and monthly basis. Exports to Thailand, Hong Kong, Korea and Australia had also declined in May. While exports to Japan continued to chart expansion, the rate had slowed significantly to 15.9% yoy (Apr'11: +35.1%) on the back of a 11.9% mom drop (the steepest mom decline compared to other export markets). However, exports to China showed a strengthening in May (+10.4% from +7.1% in April) which helped cushion the overall slide in the growth of total exports.
- Below regional trend but growth also slowing for Taiwan and Thailand.** Malaysia exports performance continued to lag other regional economies despite the other regional exporting countries similarly showing a downtrend. Taiwan and Thailand in particular were largely impacted by the global supply chain disruptions. Singapore's exports on the other hand had bounced back from a contraction in April mostly driven by higher sales of its pharmaceutical products, to help offset the further drop in electronics sales.
- Further reduction in intermediate and capital goods imports.** In line with exports, imports charted a slower growth rate of 5.6% yoy in May'11 from 9.4% yoy in Apr'11. Total imports had recorded a 0.4% mom decline, weighed down by lower intermediate and capital goods imports. Both the intermediate and capital goods had declined on mom for the second consecutive month in May. While the continuous contraction in intermediate goods imports would depress production and exports in the coming months, slower imports of capital goods indicate capital spending as well as expansion of production capacity slower. Nevertheless, consumption goods imports had chartered a faster growth (May: +20.4% yoy, Apr: +16.3%), reaffirming our view that consumption would support domestic demand and overall GDP through the 2Q11.
- Trade surplus dropped further by RM2.6bil.** Trade surplus dropped further by RM2.6bil to RM8.5bil on account of softer exports compared with imports. Consequently, the current account for 2Q11 may decline but the overall balance of payments would continue to register surplus due to excess in the financial account, mainly from continuous capital inflows. As at mid-June the external reserves of Bank Negara had increased by RM20bil from the end-March level, representing the overall BOP surplus.
- Exports to slow down in 2Q11.** We expect export growth to slow further in June given the supply chain disruption as well as slowing global demand. The global manufacturing PMI had declined from 53 in May to 52.0 in June, indicating weakening global manufacturing activities. The recent data releases also suggest continuing weaknesses in the advanced economies, while emerging market economies are increasingly facing inflation threat that demands for policy tightening and slower growth. As such, export growth in June is expected to slower further to around 3.0-4.0% in June, the average growth for the 2Q thus reducing to 6.6% from 21.7% in 2Q10 but slightly higher compared with the 4.8% gain in 1Q11. At this juncture, we believe GDP will continue to grow by 4.3% in the 2Q11, moderately slower compared with the preceding two quarters (1Q11: +4.6% yoy, 4Q10: +4.8% yoy), mainly supported by stronger domestic demand.

### Further slump in electronics and oil related products..



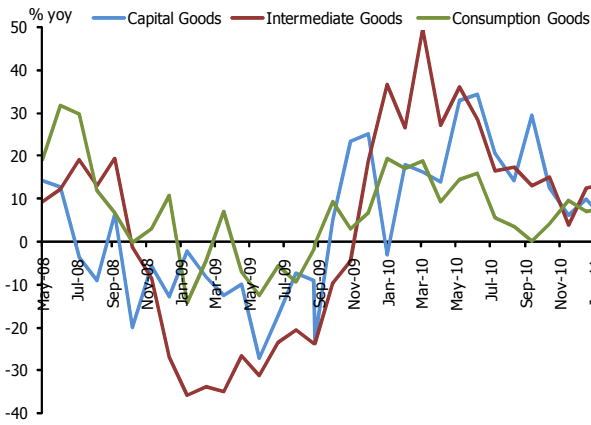
Source : MATRADE, BLOOMBERG LP, RESEARCH DIV. PNB

### Demand from the US and Singapore declined further..



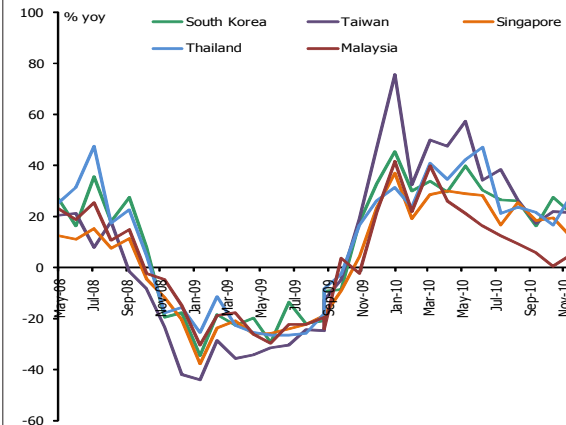
Source : MATRADE, BLOOMBERG LP, RESEARCH DIV. PNB

### Intermediate and capital goods imports fell..



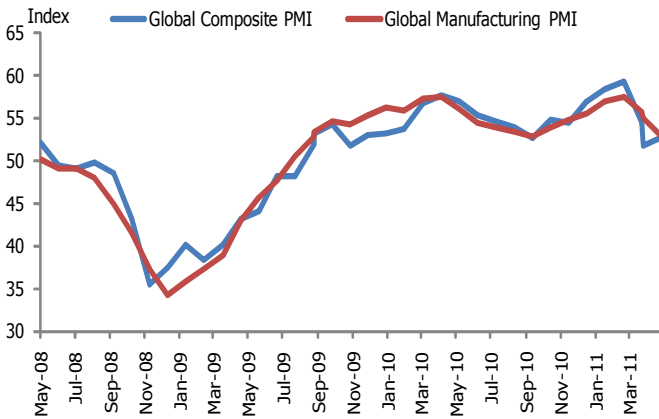
Source : MATRADE, BLOOMBERG LP, RESEARCH DIV. PNB

### M'sia exports lagged behind regional economies..



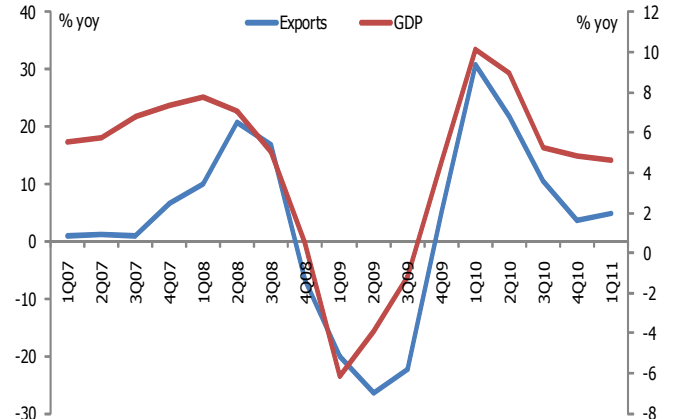
Source : MATRADE, BLOOMBERG LP, RESEARCH DIV. PNB

### Slowing global manufacturing activities..



Source : MATRADE, BLOOMBERG LP, RESEARCH DIV. PNB

### Slowing exports will lead to slower GDP growth..



Source : MATRADE, BLOOMBERG LP, RESEARCH DIV. PNB