



From the Desk
of the
Chief Economist

BANK ISLAM

EXPORTS SUSTAINED A POSITIVE GROWTH OF 6.6% IN JANUARY 2021

26 FEBRUARY 2021

ECONOMIC RESEARCH

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Jan 2021
6.6%
Dec 2020
10.8%

Exports

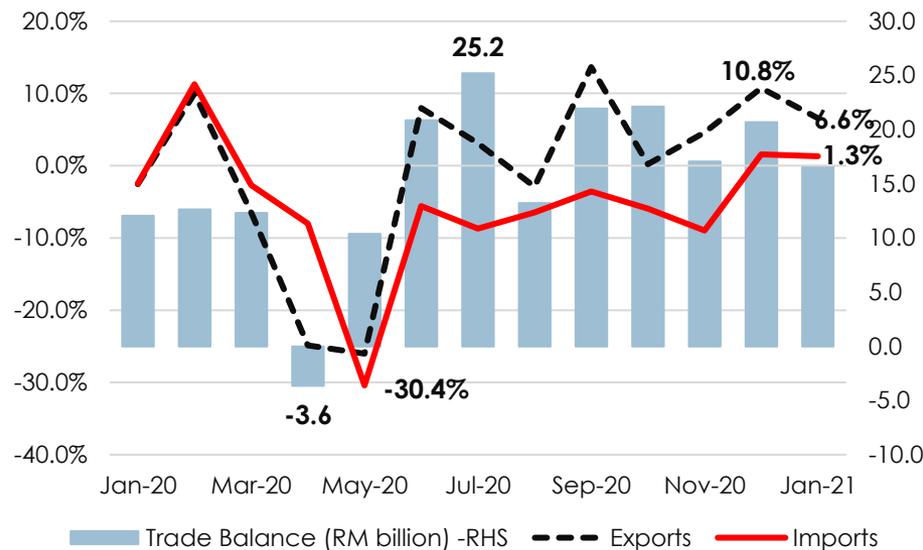
Jan 2021
1.3%
Dec 2020
1.6%

Imports

Jan 2021
RM16.6 Billion
Dec 2020
RM20.7 Billion

Trade Balance

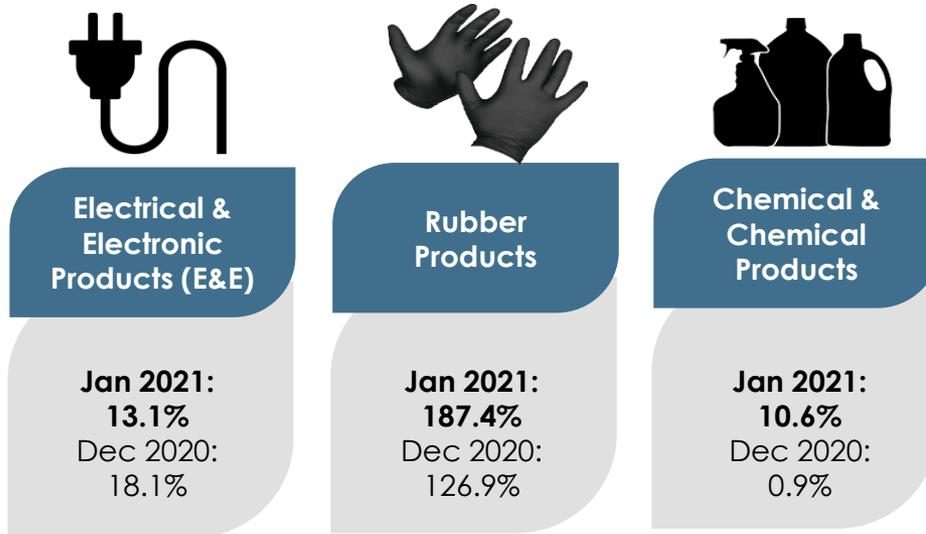
External Trade Performance



Source: CEIC

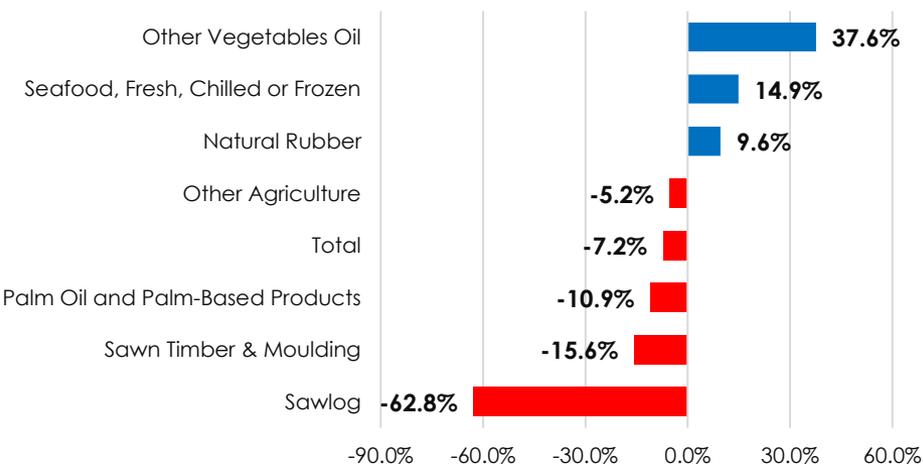
- ✓ Malaysia's exports increased by 6.6% year-on-year (y-o-y) in January 2021, moderating from a 10.8% growth in December last year (Consensus: 7.1%, Bank Islam: 3.4%).
- ✓ The expansion was mainly contributed by exports of the Manufacturing sector which increased by 11.7% in January 2021 (December 2020: 12.4%). Manufacturing sector exports accounted for about 88.5% of total exports in January 2021, higher than the 85.6% recorded in December 2020.
- ✓ Nevertheless, exports of the Mining sector continued to wane, marking the nineteenth consecutive month of decline since July 2019 (January 2021: -31.0% vs. December 2020: -31.0%) while exports of Agriculture contracted by 7.2% in January 2021 from a strong growth of 47.1% in the previous month.

Exports by Sector – Manufacturing, y-o-y%



- ✓ Within the Manufacturing industry, exports of E&E Products (January 2021: 13.1% vs. December 2020: 18.1%) and Rubber Products (January 2021: 187.4% vs. December 2020: 126.9%) anchored the growth, contributing for 54.2% of total manufactured goods exports.
- ✓ Apart from that, exports of Chemical & Chemical Products jumped by 10.6% in January 2021 from a 0.9% increase in the previous month.

Exports by Sector - Agriculture, y-o-y%

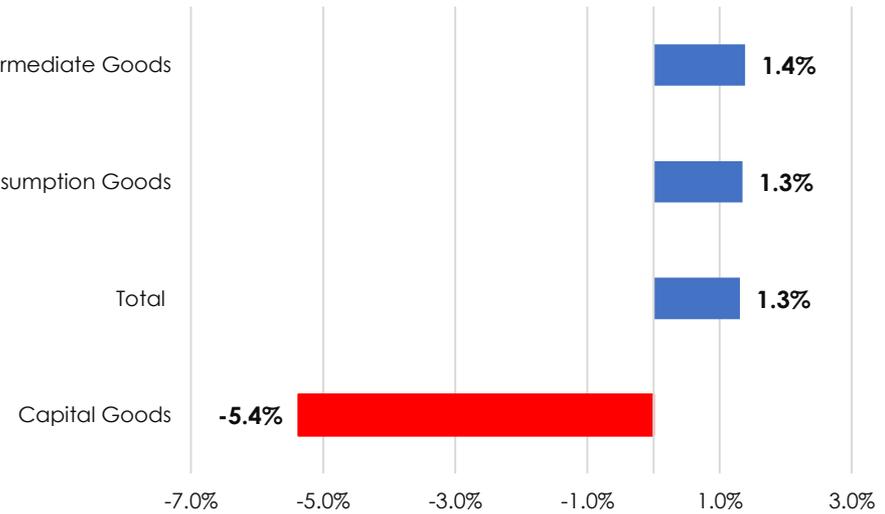
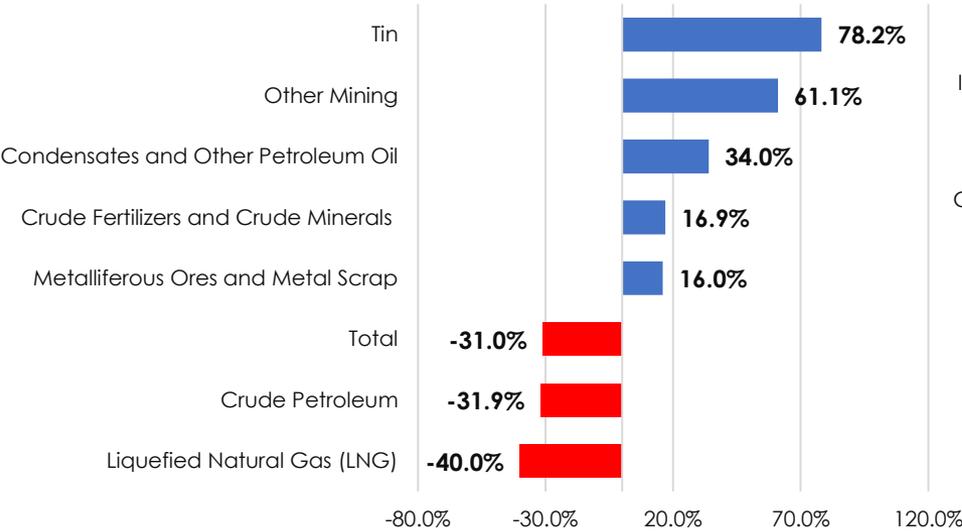


- ✓ As for the Agriculture sector, the decline was due to lower exports of Palm Oil & Palm-Based Products which shrank by 10.9% in January 2021 (December 2020: 66.9%). Meanwhile, exports of Natural Rubber softened by 9.6% in January 2021 from a 27.9% growth in the preceding month. Both products accounted for about 72.7% of total Agriculture product exports.

MINING REMAINED IN NEGATIVE TERRITORY FOR THE 19TH CONSECUTIVE MONTH

Exports by Sector - Mining, y-o-y%

Imports by End Use & Broad Economic Categories (BEC) Classification, y-o-y%



Source: CEIC

- ✓ As for the Mining sector, the decline in exports of LNG (January 2021: -40.0% vs. December 2020: -23.9%) and Crude Petroleum (January 2021: -31.9% vs. December 2020: -42.9%) have continued to weigh on the sector's performance.
- ✓ On imports, it increased by 1.3% in January 2021, easing from 1.6% growth previously. On further scrutiny, imports of Intermediate Goods rebounded by 1.4% in January 2021 from a 5.0% contraction in the previous month, while imports of Consumption Goods moderated by 1.3% in January 2021 (December 2020: 3.3%). On the other hand, imports of Capital Goods plummeted by 5.4% in January 2021, extending the 2.1% fall in the preceding month.
- ✓ Consequently, the trade surplus balance narrowed from RM20.7 billion in December last year to RM16.6 billion in January 2021.

EXTERNAL TRADE PERFORMANCE

Y-o-Y%	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	Jan-21
Exports	-24.9%	-26.0%	8.0%	3.1%	-2.9%	13.6%	0.2%	4.6%	10.8%	6.6%
Imports	-8.0%	-30.4%	-5.6%	-8.7%	-6.5%	-3.6%	-6.0%	-9.0%	1.6%	1.3%
Trade balance (RM billion)	-3.6	10.4	20.9	25.2	13.2	21.9	22.1	17.1	20.7	16.6
Export by sector										
Manufacturing	-24.4%	-23.8%	13.1%	4.7%	-0.1%	16.3%	2.5%	8.2%	12.4%	11.7%
Electrical & Electronic Products	-21.7%	-19.9%	15.9%	9.2%	7.6%	33.0%	3.0%	23.6%	18.1%	13.1%
Chemical & Chemical Products	-19.7%	-25.1%	-8.1%	-23.2%	-23.4%	0.6%	-16.1%	-6.6%	0.9%	10.6%
Machinery, Equipment & Parts	-53.2%	-29.4%	29.7%	-4.5%	-11.3%	5.0%	3.2%	-5.0%	2.4%	-1.4%
Petroleum Products	-25.0%	-42.7%	-26.2%	-6.5%	-16.0%	-29.5%	-25.6%	-27.1%	-22.0%	-32.4%
Manufactures of Metal	-54.2%	-35.4%	9.4%	-5.9%	-30.7%	-5.9%	-10.1%	-5.3%	34.9%	19.9%
Transport Equipment	21.8%	-51.7%	2.8%	-5.5%	-19.9%	-35.8%	-14.6%	-26.5%	-29.9%	4.9%
Optical & Scientific Equipment	-35.2%	-11.8%	33.8%	9.9%	28.6%	6.2%	-3.0%	0.6%	4.6%	9.9%
Processed Food	-19.7%	-19.5%	13.0%	-1.1%	-7.0%	-0.4%	-0.6%	-12.5%	2.1%	9.1%
Textiles, Apparels & Footwear	-51.1%	-40.2%	-9.4%	-10.2%	-12.2%	3.9%	10.8%	-10.8%	5.5%	-5.9%
Iron & Steel Products	-7.4%	-20.0%	16.3%	9.1%	23.3%	30.3%	21.4%	-20.2%	2.8%	3.9%
Manufacture of Plastics	-32.1%	-20.9%	1.2%	-16.9%	-25.2%	-12.8%	-12.4%	-14.2%	4.2%	7.1%
Paper & Pulp Products	-14.3%	-10.8%	26.9%	-15.2%	-15.5%	-16.6%	-4.1%	-15.0%	6.9%	16.3%
Rubber Products	11.7%	20.5%	101.0%	93.9%	66.8%	115.8%	127.3%	124.8%	126.9%	187.4%
Palm Oil-Based Manufactured Products	-10.9%	-24.2%	-4.8%	-17.7%	-10.3%	-5.0%	-10.7%	0.3%	6.3%	6.0%
Non-Metallic Mineral Products	-40.7%	-40.6%	-8.0%	-19.9%	-21.3%	-14.4%	-9.4%	-7.4%	9.1%	14.2%
Beverages & Tobacco	-43.2%	-49.1%	-19.5%	-11.8%	-28.5%	-16.9%	-23.3%	-38.1%	11.8%	-8.2%
Jewellery	-88.0%	-86.8%	-76.5%	-55.3%	-38.4%	-20.6%	-23.4%	-16.4%	-8.9%	-6.5%
Wood Products	-45.5%	-31.6%	36.0%	13.6%	1.4%	15.2%	9.9%	3.1%	12.3%	2.1%
Others	0.6%	3.2%	69.7%	40.6%	8.5%	33.3%	29.6%	18.0%	16.6%	8.0%
Agriculture	-17.1%	-23.7%	26.0%	30.4%	-4.5%	26.6%	28.7%	6.0%	47.1%	-7.2%
Natural Rubber	-27.2%	-44.3%	-37.9%	-41.1%	-32.9%	-7.7%	2.8%	23.2%	27.9%	9.6%
Saw log	-63.8%	-84.2%	16.9%	-24.7%	-6.9%	-11.3%	-49.5%	-68.8%	40.5%	-62.8%
Sawn Timber & Mouldings	-75.8%	-59.6%	0.7%	-8.6%	-39.2%	-6.2%	-28.2%	-10.7%	-14.6%	-15.6%
Mining	-32.3%	-49.7%	-46.4%	-30.2%	-25.9%	-27.4%	-47.2%	-32.1%	-31.0%	-31.0%
Tin	-36.3%	14.8%	25.0%	-27.9%	0.0%	-22.2%	21.7%	19.1%	46.6%	78.2%
Crude Petroleum	-33.8%	-69.0%	-70.9%	-4.9%	0.0%	22.2%	-44.8%	-28.7%	-42.9%	-31.9%
Liquefied Natural Gas	-21.1%	-31.8%	-26.6%	-47.6%	-49.1%	-52.2%	-57.7%	-43.6%	-23.9%	-40.0%
Others	-74.6%	-58.0%	-49.1%	-51.9%	-57.9%	-28.6%	-25.0%	-44.8%	-29.1%	-38.1%
Import by End-Use										
Capital Goods	69.1%	-27.8%	2.8%	-19.8%	-15.6%	-2.2%	-14.9%	-26.6%	-2.1%	-5.4%
Consumption Goods	-12.2%	-22.2%	8.9%	0.1%	2.9%	11.2%	3.1%	-7.2%	3.3%	1.3%
Intermediate Goods	-30.6%	-27.8%	-10.7%	-17.3%	-5.6%	-17.7%	-6.0%	-10.6%	-5.0%	1.4%

Sources: DOSM, CEIC

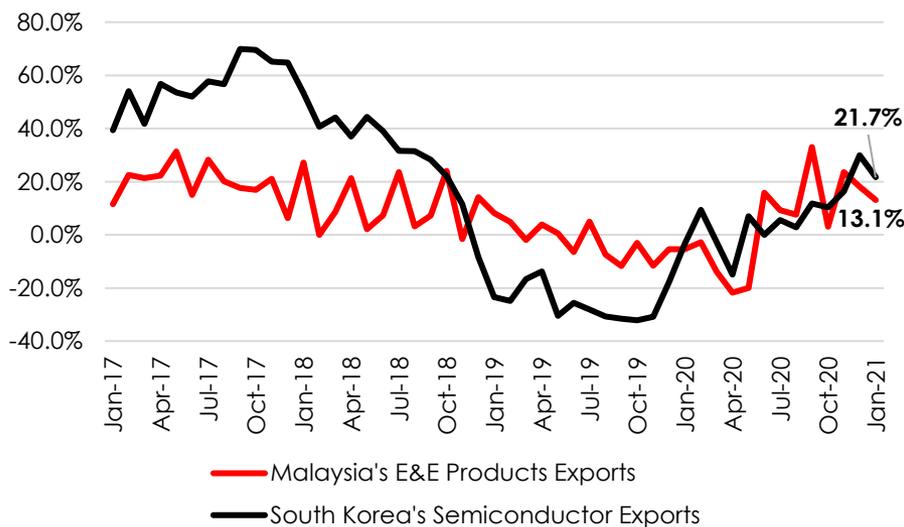
- ✓ Most of the regional economies recorded significant growth during January this year, suggesting that the global demand has started to pick up following economic fallout due to Covid-19 crisis last year.
- ✓ For instance, Taiwan's exports skyrocketed by 36.8% in January 2021 (December 2020: 12.0%), marking the fourth straight month of double-digit growth. The upturn was propelled by exports of Parts of Electronic Products which rose by 47.5% y-o-y in January 2021 (December 2020: 22.2%), contributing 38.8% of total exports activities.
- ✓ This was followed by Singapore's non-oil domestic exports (NODX) which posted a 12.8% increase from a 6.8% growth previously while Indonesia and South Korea's exports grew by 12.2% and 11.4% in January 2021 though at a slower pace compared to 14.6% and 12.6% in the preceding month.

Exports growth in various countries (y-o-y,%)

Country	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	Jan-21
US	-0.6%	-0.6%	-12.5%	-28.9%	-32.4%	-24.8%	-19.3%	-17.5%	-15.0%	-13.6%	-12.7%	-10.2%	-
China	-2.7%	-40.5%	-6.8%	3.5%	-3.3%	0.3%	7.3%	9.5%	9.9%	11.4%	21.1%	18.1%	-
Japan	-2.6%	-1.0%	-11.7%	-21.9%	-28.3%	-26.2%	-19.2%	-14.8%	-4.9%	-0.2%	-4.2%	2.0%	6.4%
Singapore	-3.3%	3.0%	16.6%	9.7%	-4.7%	13.9%	5.8%	7.7%	5.8%	-3.1%	-5.0%	6.8%	12.8%
India	-2.1%	3.3%	-34.3%	-61.0%	-35.7%	-12.2%	-9.5%	-12.2%	6.0%	-4.7%	-8.6%	0.1%	6.2%
Indonesia	-2.8%	9.9%	-2.6%	-6.9%	-29.1%	2.1%	-10.1%	-8.2%	-0.8%	-3.5%	9.4%	14.6%	12.2%
Thailand	3.4%	-4.0%	3.8%	2.1%	-22.5%	-23.1%	-11.4%	-7.9%	-3.9%	-6.7%	-3.6%	4.7%	0.4%
South Korea	-6.6%	3.6%	-1.8%	-25.6%	-23.7%	-10.9%	-7.1%	-10.3%	7.1%	-3.9%	3.9%	12.6%	11.4%
Taiwan	-7.6%	24.9%	-0.7%	-1.3%	-2.0%	-3.8%	0.3%	8.3%	9.4%	11.2%	12.0%	12.0%	36.8%
Malaysia	-2.6%	10.0%	-6.5%	-24.9%	-26.0%	8.0%	3.1%	-2.9%	13.6%	0.2%	4.6%	10.8%	6.6%

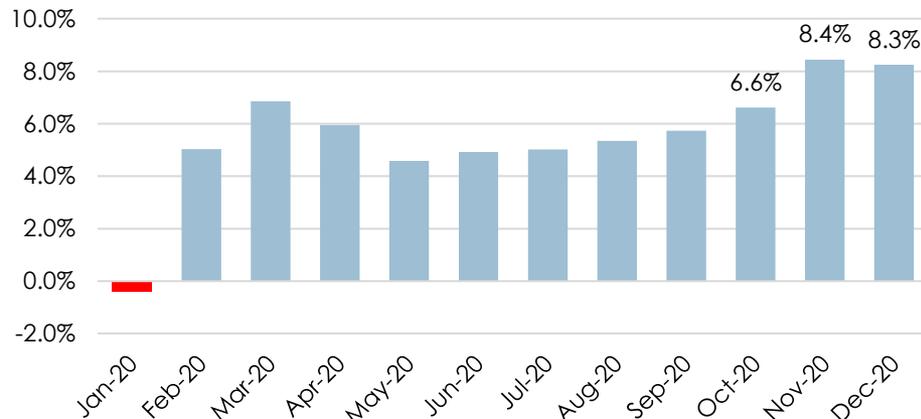
Sources: CEIC, Bloomberg

Exports of E&E Products, y-o-y%



Sources: CEIC

Global Semiconductor Sales (GSS), y-o-y%



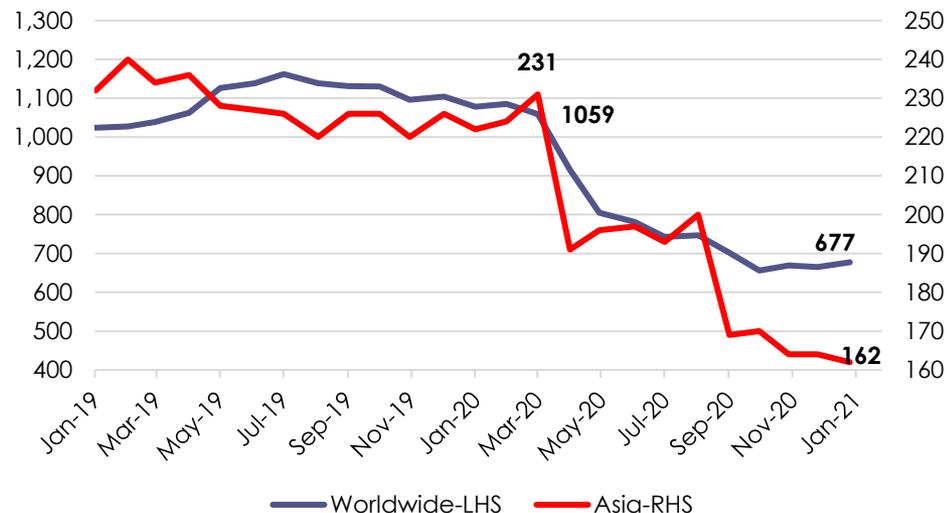
Sources: SIA

- ✓ Exports of E&E products continued to fuel Malaysia's exports performance in January this year as it formed a sizeable share of 40.9% out of total exports.
- ✓ Other regional peers such as South Korea also saw its semiconductor exports soar by 30.0% y-o-y in December 2020 and 21.7% in January 2021.
- ✓ This was in tandem with Global Semiconductor Sales (GSS) which have been growing since February 2020 amid robust demand for laptops, cloud computing and network peripherals in light of the Covid-19 pandemic which has forced employees to work from home.
- ✓ Apart from that, the Prime Minister has launched Malaysia's Digital Economy Blueprint in a bid to catch up in the digitalisation race.
- ✓ The blueprint is looking at a RM70.0 billion investment in digitalisation by 2025 with a goal of the digital economy eventually contributing 22.6% of the nation's Gross Domestic Product (GDP).
- ✓ Therefore, Malaysia's E&E would continue to see positive growth this year, mainly propelled by 5G network, automation and new technology innovations.

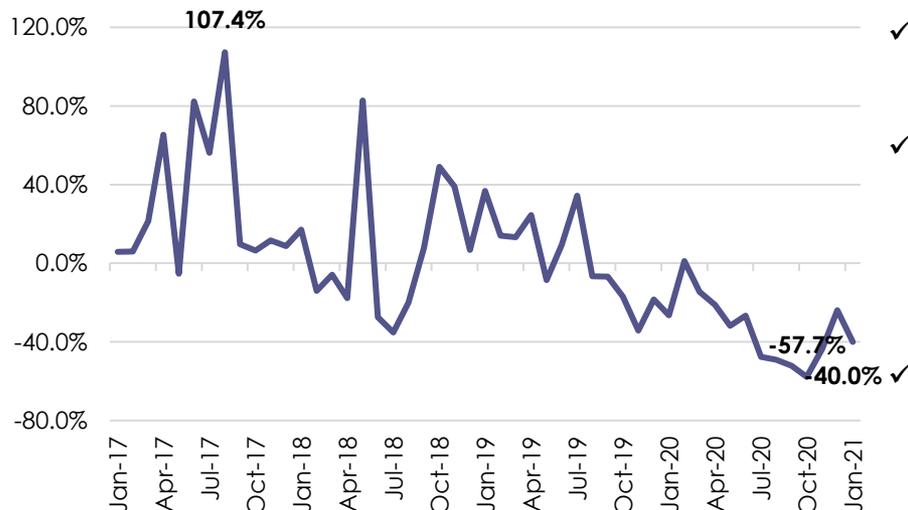
OIL RIG COUNT REMAINS LOW WHILE LNG MAY LNG EXPORTS SEE BETTER DAYS AHEAD

- ✓ The total number of rigs worldwide increased to 677 rigs in January 2021 (December 2020: 665 rigs). In comparison to a year ago, the total worldwide rig count stood at 1,078 rigs in January 2020.
- ✓ Meanwhile, the total number of rigs in Asia were slightly lower at 162 rigs in January 2021 (December 2020: 164 rigs), in line with sluggish production activity.
- ✓ As such, it was no surprise that Malaysia's exports of crude petroleum were down by 31.9% y-o-y in January 2021 (December 2020: -42.9%).
- ✓ The pledged output cuts by OPEC+ for February and March this year should continue to put a lid on the nation's petroleum exports.

Rig Count - Worldwide vs. Asia



Growth in Malaysia's LNG Exports, y-o-y%



Sources: DOSM, CEIC
ECONOMIC RESEARCH

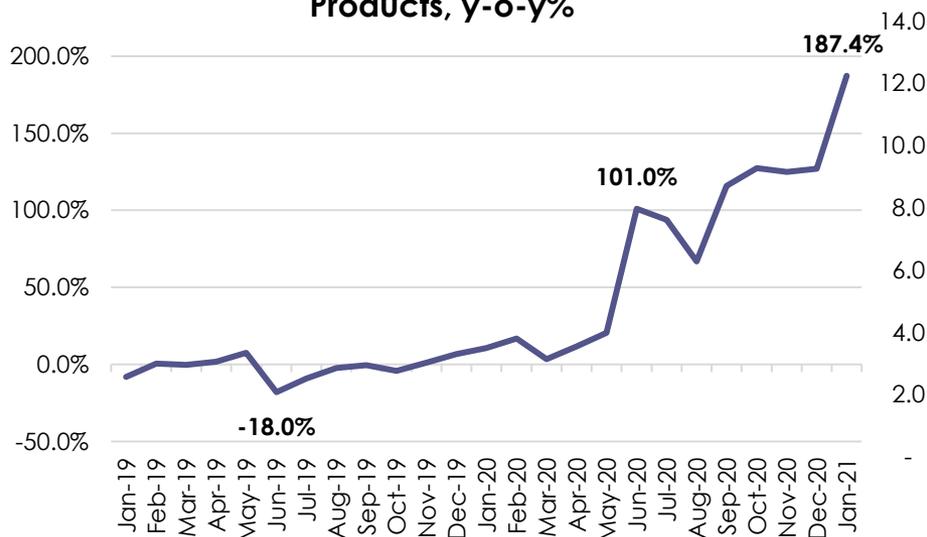
Source: Baker Hughes

- ✓ Malaysia's LNG exports declined by 40.0% in January 2021 (December 2020: -23.9%), marking the 11th consecutive month of decline.
 - ✓ Nevertheless, we opine that the decline in LNG exports may likely slow down in the coming months. This will be underpinned by stronger demand from North Asian countries such as South Korea where LNG will be used to keep extremely low temperatures in storage facilities to house millions of Covid-19 vaccines.
- In the long term, the Malaysian government announced it was targeting to introduce the Natural Gas Roadmap (NGR) in 1Q2021, as natural gas will continue to be the energy of choice as the world goes through an inevitable energy transition to tackle the issue of climate change.

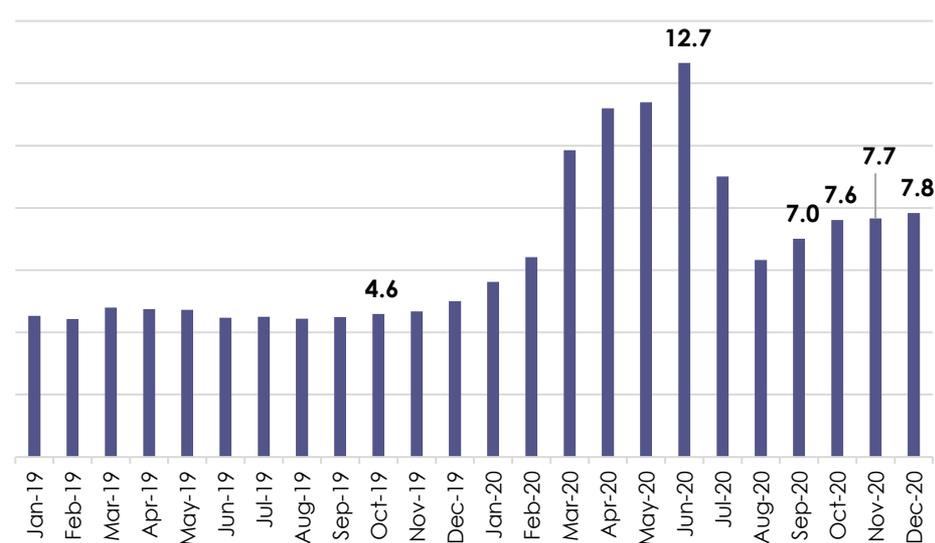
RUBBER GLOVE EXPORTS CONTINUE TO SOAR

- ✓ As highlighted earlier, the exports for rubber products jumped by 187.4% in January 2021 (December 2020: 126.9%).
- ✓ Meanwhile, Malaysia's rubber glove production in December 2020 increased by 56.6% y-o-y (November 2020: 63.9%), marking the eleventh consecutive month of y-o-y gains of above 40.0%. This brings the 2020 rubber glove production to 102.6 billion pairs which is 85.2% (2019: 2.3%) higher than the 55.4 billion pairs produced in 2019.
- ✓ Henceforth, in 2021 we anticipate that the rubber glove production is likely to exceed the 7.8 billion pairs reached in December 2020 (November 2020: 7.7 billion pairs) amid higher demand for rubber gloves.
- ✓ For the foreseeable future, we believe that rubber glove demand will be driven by testing frequency and vaccine roll out needing gloves. In the same vein, Malaysian Rubber Glove Manufacturers Association (MARGMA) expects global shortage of rubber gloves will last beyond the first quarter of 2022.

Malaysia's Exports Growth of Rubber Products, y-o-y%



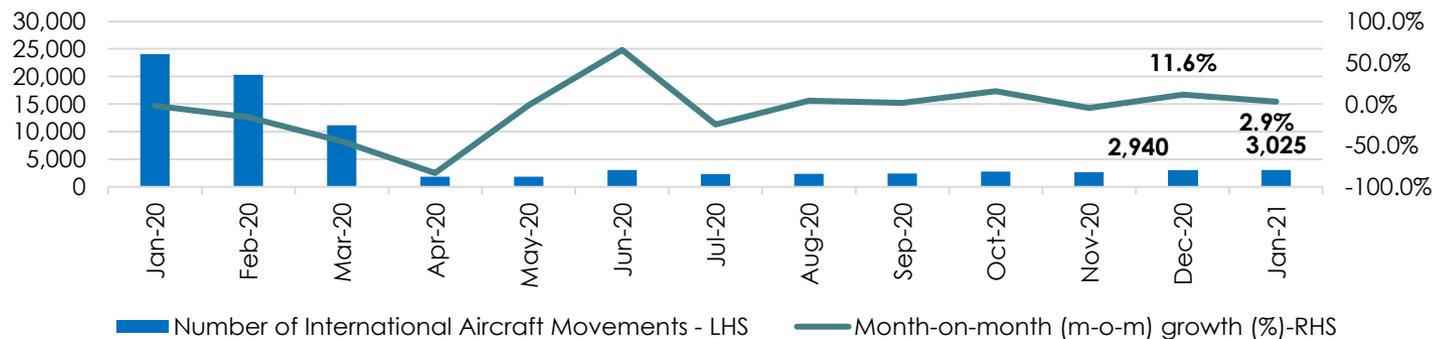
Malaysian Rubber Glove Production (Billion Pairs)



Sources: CEIC, DOSM

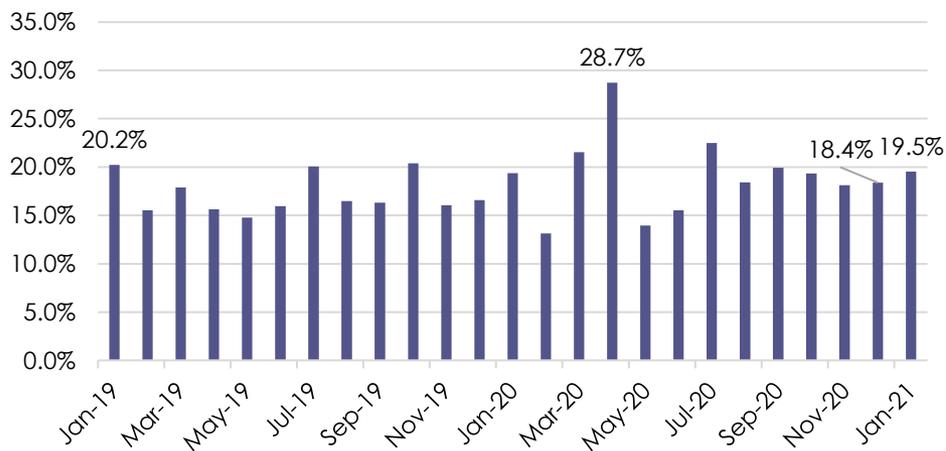
- ✓ Through conventional wisdom, international aircraft movements at Kuala Lumpur International Airport (KLIA) in January was expected to decline due the movement control order 2.0 (MCO 2.0). Nonetheless, international aircraft movements were actually up by 2.9% month-on-month (m-o-m) in January 2021 with 3,025 aircraft (December 2020: 2,940 aircraft).
- ✓ Due to the restriction of overseas travel during MCO 2.0, we believe that the increase in international aircraft movements at KLIA in January 2021 was mostly attributable to air cargo planes transporting goods in and out of the country.
- ✓ Likewise, we gathered that China's civil aviation industry handled 669,000 tonnes of air freight in January 2021, up 10.5% y-o-y, according to the country's civil aviation authorities.
- ✓ As for February 2021, China's air cargo load factors remained strong during the Chinese New Year as demand did not fall as strongly as it has in the past. Statistics from CLIVE Data Services show that in the first week of the Chinese New Year, which this year started on 12 February 2021, services from China to regions such as Europe saw demand drop in the range of 25.0% to 30.0% compared with a week earlier. In comparison with 2019 and 2020, the first week of the holiday resulted in demand weakening by around 60.0% against the previous week as factories closed.
- ✓ Therefore, this paints a rosy picture for air cargo industry as China's economy continues to recover which is beneficial for its trading partners including Malaysia.

International Aircraft Movements at Kuala Lumpur International Airport



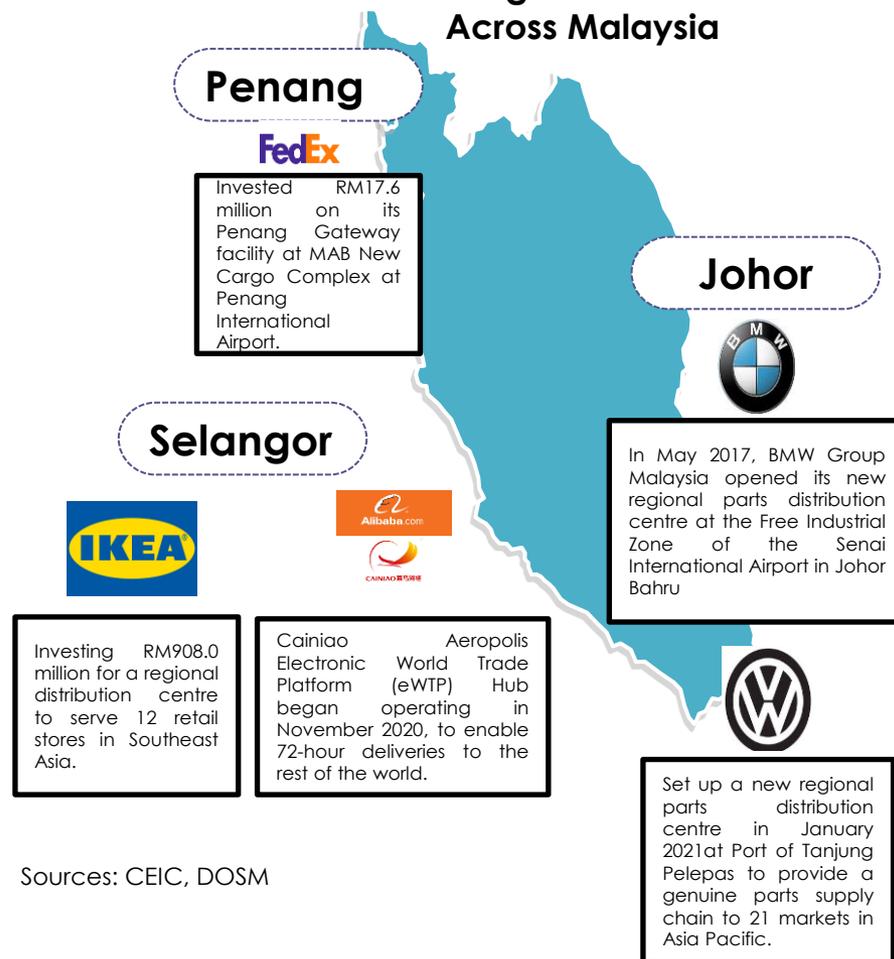
RE-EXPORTS ARE INCREASING, BUT MOSTLY REVOLVES ON LOW VALUE-ADDED ACTIVITIES

Malaysia's Re-exports to Exports Ratio (%)



Sources: CEIC, DOSM

Location of Regional Distribution Hubs Across Malaysia



Sources: CEIC, DOSM

- ✓ Malaysia's ratio of re-exports to total exports reached 19.5% in January 2021 (December 2020: 18.4%). Meanwhile, the long-term average for re-exports to exports ratio from 1990-2020 is 7.2%.
- ✓ The rise in re-exports was in tandem with the establishment of regional distribution hubs around Malaysia, i.e. BMW regional parts distribution centre in Senai Johor. However, the risks of rising re-exports activities among others are weak spill-over effects to the overall Malaysian economy. Higher imported content would deduct value-added and less demand on local suppliers
- ✓ Plus, the increase in distribution hubs will not attract high-value job and thus only require low-skilled workers to operate the hubs.
- ✓ In the long run, Malaysia's National Digital Economy Blueprint (MyDIGITAL) that emphasises digital infrastructure could attract more international investors to setup operations in Malaysia involving high-value activities such as research and development.

OUR VIEW – EXPORTS GROWTH TO BE UNDERPINNED BY THE E&E SECTOR

- ✓ We note that the full impact of MCO 2.0 in February 2021 may exert downward pressure on exports growth.
- ✓ However, the government has relaxed a lot of restrictions such as wedding events, sport activities and dining in at food outlets. The current low interest rate environment too is will be conducive to spur consumer spending should help support the capacity for local businesses to produce and meet the overseas demand.
- ✓ While the Covid-19 vaccine has arrived at Malaysian shores, the vaccination program is still in its early stage and may take time before it progresses at full steam. The government will also have to educate the masses on the importance of being vaccinated as there are some groups of people who appear reluctant to get vaccinated until further information regarding the vaccine is made known.
- ✓ A delay in Malaysia's journey to reach herd immunity is detrimental to the nation's pace of economic recovery as movements may still be restrictive and sectors such as tourism may not be able to operate on a large scale.
- ✓ All in all, **we are maintaining our 4.5% exports growth in 2021 after a 1.4% decline last year.** The growth will be particularly contributed by the surging demand in the home electronics industry and electric vehicles. In fact, there appears to be a global shortage in chip supply and Malaysian semiconductor players can perhaps chip in to fill in this gap.
- ✓ The semiconductor products are likely to grow higher by 8.4% this year from an estimated 5.1% in 2020, supported by the increase in Integrated Circuits (2021F: 8.3% vs. 2020E: 6.4%), Optoelectronics (2021F: 10.2% vs. 2020E: -2.6%), Discrete Semiconductors (2021F: 7.2% vs. 2020E: -1.2%) and Sensors (2021F: 7.8% vs. 2020E: 7.4%) according to the World Semiconductor Trade Statistics (WSTS).

Forecast of World Semiconductor Trade Statistics

	Amounts (USD million)			Y-o-y%		
	2019	2020E	2021F	2019	2020E	2021F
Americas	78,619	93,343	102,164	-23.7%	18.7%	9.5%
Europe	39,816	36,452	38,543	-7.3%	-8.4%	5.7%
Japan	35,993	35,759	37,841	-9.9%	-0.6%	5.8%
Asia Pacific	257,879	267,590	290,854	-8.8%	3.8%	8.7%
Total World (USD million)	412,307	433,145	469,403	-12.0%	5.1%	8.4%
Discrete Semiconductors	23,881	23,593	25,292	-0.9%	-1.2%	7.2%
Optoelectronics	41,561	40,481	44,628	9.3%	-2.6%	10.2%
Sensors	13,511	14,515	15,642	1.2%	7.4%	7.8%
Integrated Circuits	333,354	354,556	383,840	-15.2%	6.4%	8.3%
-Analog	53,939	53,954	58,578	-8.2%	0.0%	8.6%
-Micro	66,440	67,744	68,444	-1.2%	2.0%	1.0%
-Logic	106,535	113,419	121,507	-2.5%	6.5%	7.1%
-Memory	106,440	119,440	135,311	-32.6%	12.2%	13.3%
Total Products (USD million)	412,307	433,145	469,403	-12.0%	5.1%	8.4%

Source: World Semiconductor Trade Statistics

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A cityscape at sunset with a pink bar at the bottom. The sky is filled with soft, golden light and scattered clouds. The city buildings are silhouetted against the bright horizon. A prominent road with traffic is visible in the foreground.

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