



From the Desk  
of the  
**Chief Economist**

**BANK ISLAM**

# **EXPORTS EXPANDED AT A DOUBLE-DIGIT GROWTH IN AUGUST**

**28 SEPTEMBER 2021**

**ECONOMIC RESEARCH**

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# EXPORTS ROSE BY 18.4% IN AUGUST



## Exports

**August**  
**18.4%**  
July  
5.0%



## Imports

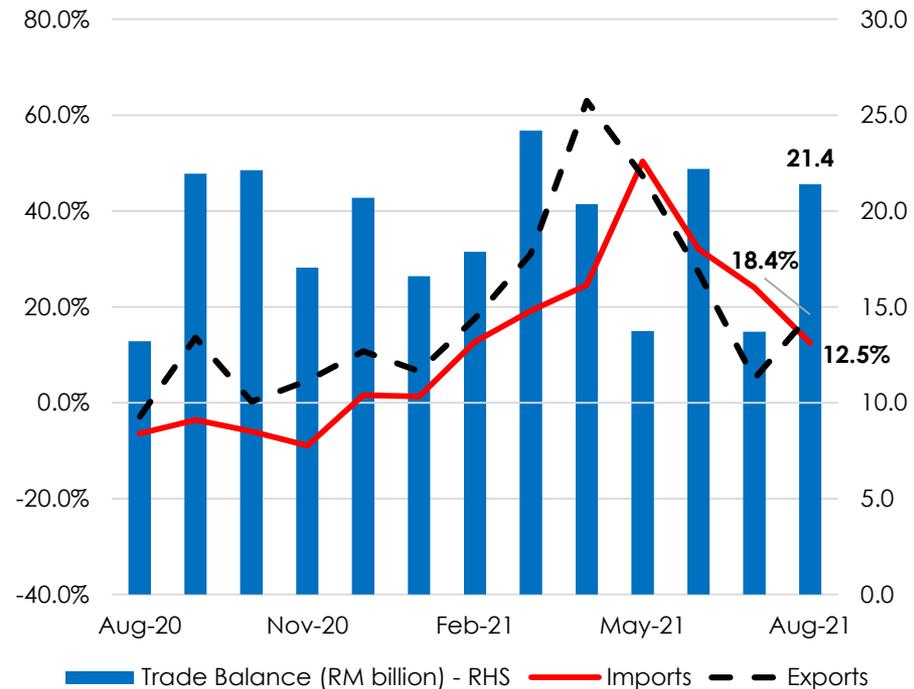
**August**  
**12.5%**  
July  
24.0%



## Trade Balance

**August**  
**RM21.4 billion**  
July  
RM13.7 billion

## External Trade Performance

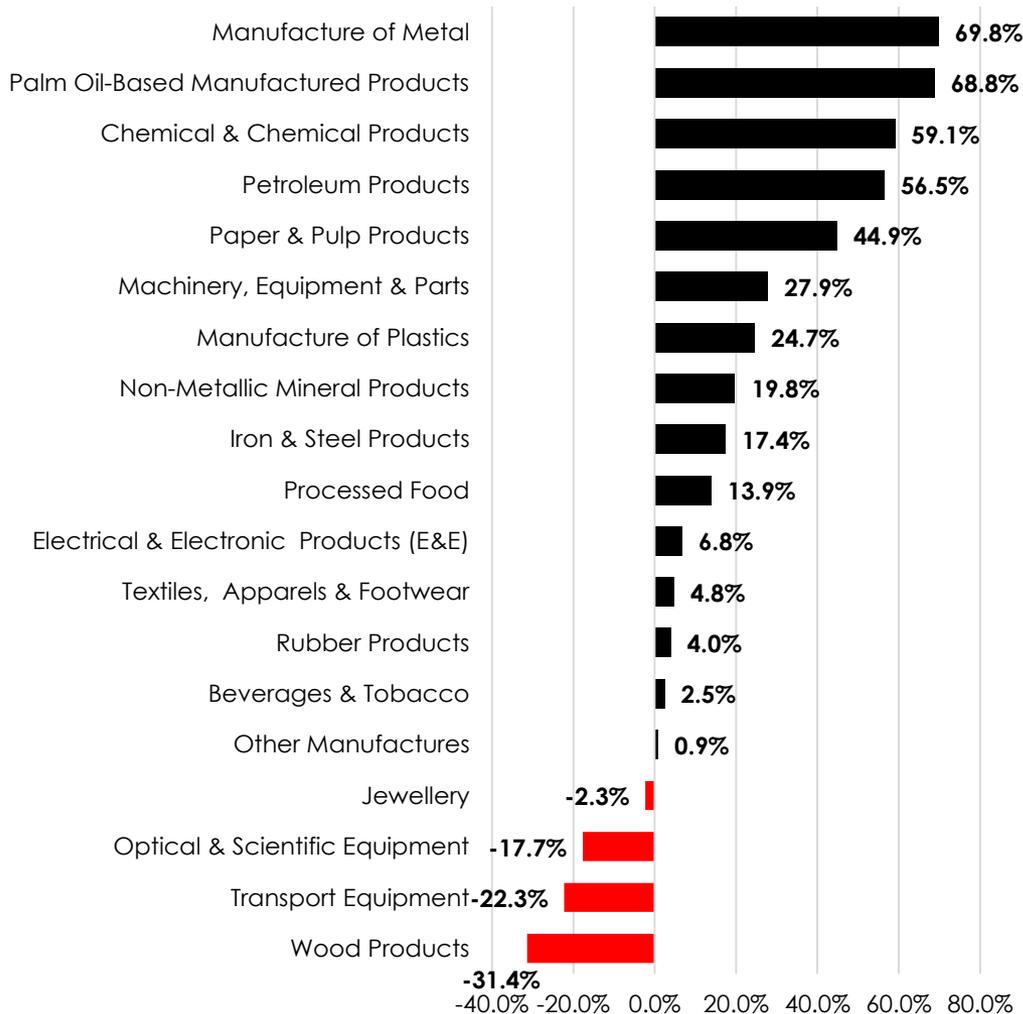


Source: CEIC

- ✓ Malaysia's exports performance registered a double-digit growth of 18.4% year-on-year (y-o-y) in August, extending a gain of 5.0% in the preceding month. **(Consensus: 14.6%).**
- ✓ This marks the twelfth consecutive month of expansion in the nation's exports activities.
- ✓ The strong growth in exports were underpinned by the expansion in the Manufacturing sector (August: 15.4% vs. July: 2.3%), as well as Mining sector (August: 50.6% vs. July: 18.3%) .
- ✓ Meanwhile, Agriculture sector softened by 28.5% in August from a 29.2% growth in the previous month.

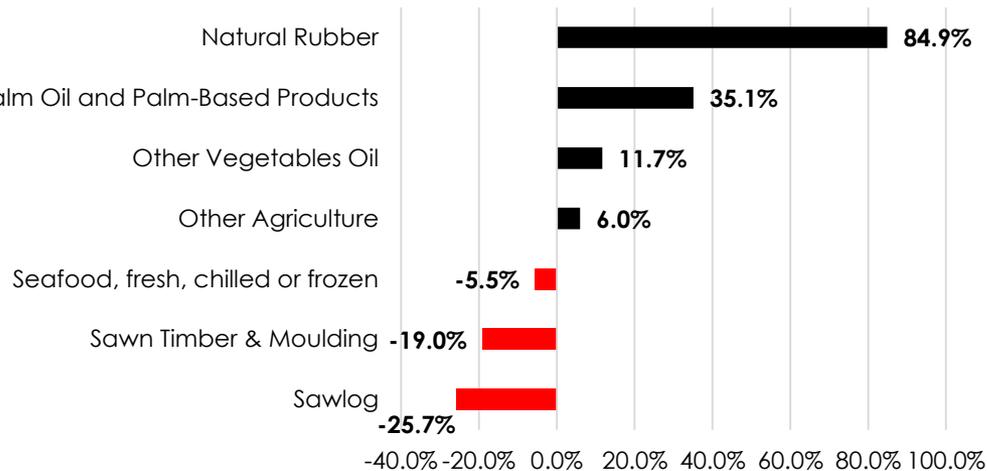
# MANUFACTURING SECTOR RECORDED A DOUBLE-DIGIT GROWTH DURING AUGUST

Manufacturing Sub-sector, y-oy%

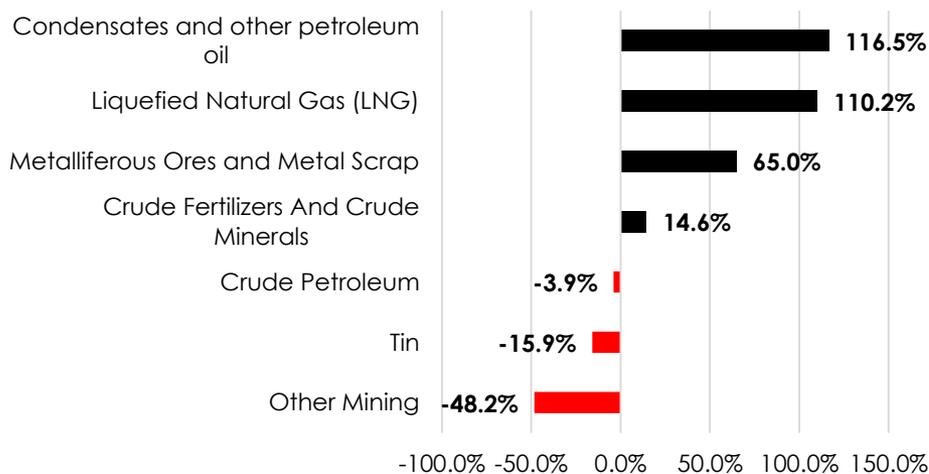


- ✓ Within the Manufacturing sector, the expansion was mainly contributed by higher exports seen in Manufacture of Metal (August: 69.8% vs. July: 19.6%), Palm Oil-Based Manufactured Products (August: 68.8% vs. July: 78.9%), as well as Chemical & Chemical Products (August: 59.1% vs. July: 40.3%) in August. In addition, Electrical & Electronic products (E&E) which contributed a sizeable share of 42.4% of the total exports, rebounded by 6.8% (July: -12.1%) in the same month.
- ✓ On the other hand, Jewellery (August: -2.3% vs. July: 10.4%), Optical & Scientific Equipment (August: -17.7% vs. July: -9.7%), Transport Equipment (August: -22.3% vs. July: -21.2%) and Wood Products (August: -31.4% vs. July: -45.4%) recorded a decline for the month of August.
- ✓ All in all, the manufacturing sector contributed 84.6% of total exports during the said month.

## Agriculture Sub-sector, y-o-y%



## Mining Sub-sector, y-o-y%



- ✓ As for the Agriculture sector, the growth was underpinned by exports of Natural Rubber which rose by 84.9% in August, extending the previous month's 42.0% growth. In the same month, this sector constituted 7.7% of total exports.
- ✓ In the Mining sector, the robust growth was seen in Liquefied Natural Gas (LNG) which recorded a triple-digit growth of 110.2% in August (July: 69.9%), contributing 50.2% in total exports to this sector.
- ✓ Meanwhile, imports continued to grow softer by 12.5% in August as compared to 24.0% in the previous month. This was mainly supported by the slower growth in the imports of Capital Goods (August: 22.9% vs. July: 25.6%), Intermediate Goods (August: 13.4% vs. July: 42.7%), as well as the negative growth seen in Consumption Goods (August: -0.6% vs. July: 0.2%). Hence, the trade surplus balance expanded to RM21.4 billion in August from 13.7 billion in July.
- ✓ On a cumulative basis, both exports and imports rebounded by 24.9% (8M2020: -5.4%) and 20.4% (8M2020: -6.6%), respectively in 8M2021.
- ✓ As such, the trade surplus widened to RM150.2 billion during 8M2021 (8M2020: RM101.3 billion).

# EXTERNAL TRADE PERFORMANCE

Y-o-Y%	Jan-21	Feb-21	Mar-21	Apr-21	May-21	Jun-21	Jul-21	Aug-21	8M2020	8M2021
Exports	6.3%	17.4%	30.9%	62.7%	47.0%	27.2%	5.0%	18.4%	-5.4%	24.9%
Imports	1.1%	12.1%	17.5%	22.9%	48.4%	32.1%	24.0%	12.5%	-6.6%	20.4%
Trade balance (RM billion)	16.6	17.9	24.2	20.4	13.8	22.2	13.7	21.4	101.3	150.2
<b>Export by sector</b>										
<b>Manufacturing</b>	<b>11.7%</b>	<b>20.9%</b>	<b>35.9%</b>	<b>65.4%</b>	<b>45.4%</b>	<b>25.8%</b>	<b>2.3%</b>	<b>15.4%</b>	-3.4%	25.8%
Electrical & Electronic Products	13.1%	25.5%	48.0%	43.1%	34.3%	14.1%	-12.1%	6.8%	-3.9%	18.8%
Chemical & Chemical Products	10.6%	20.3%	32.3%	39.4%	42.5%	53.3%	40.3%	59.1%	-14.9%	36.6%
Machinery, Equipment & Parts	-1.5%	-0.4%	49.7%	172.7%	36.8%	-1.4%	-8.8%	27.9%	-8.6%	22.5%
Petroleum Products	-32.4%	32.1%	-38.3%	87.8%	75.1%	113.6%	72.7%	56.5%	-7.0%	36.9%
Manufacture of Metal	19.9%	27.0%	88.4%	180.7%	81.6%	34.0%	19.6%	69.8%	-18.0%	56.1%
Transport Equipment	4.9%	-8.7%	-55.2%	-19.4%	38.5%	-26.9%	-21.2%	-22.3%	11.4%	-22.8%
Optical & Scientific Equipment	9.9%	-0.2%	30.8%	85.6%	29.2%	7.6%	-9.7%	-17.7%	8.1%	11.5%
Processed Food	9.2%	1.5%	29.5%	33.4%	14.2%	5.5%	1.8%	13.9%	-2.1%	12.9%
Textiles, Apparels & Footwear	-5.9%	-0.5%	30.4%	102.7%	51.1%	9.2%	-6.7%	4.8%	-16.2%	16.0%
Iron & Steel Products	3.9%	-20.4%	34.6%	18.3%	35.4%	3.9%	-0.2%	17.4%	8.6%	10.4%
Manufacture of Plastics	7.5%	-1.1%	29.6%	57.3%	33.0%	18.7%	8.1%	24.7%	-13.6%	20.7%
Paper & Pulp Products	16.3%	9.5%	21.4%	57.1%	40.6%	20.4%	33.0%	44.9%	3.1%	29.2%
Rubber Products	187.4%	188.7%	210.6%	207.2%	133.2%	103.5%	13.3%	4.0%	43.1%	110.6%
Palm Oil-Based Manufactured Products	6.0%	9.8%	42.0%	51.5%	32.8%	71.1%	78.9%	68.8%	-13.8%	44.6%
Non-Metallic Mineral Products	14.2%	-0.4%	46.5%	116.8%	85.1%	26.9%	20.8%	19.8%	-9.8%	33.5%
Beverages & Tobacco	-8.2%	-31.6%	48.3%	43.7%	8.6%	-27.0%	-37.6%	2.5%	-28.4%	-3.3%
Jewellery	-6.5%	-22.3%	90.3%	544.6%	434.0%	140.6%	10.4%	-2.3%	-51.5%	52.8%
Wood Products	2.2%	-3.7%	64.6%	147.2%	53.4%	-29.1%	-45.4%	-31.4%	-2.6%	5.2%
Others Manufactures	8.0%	-7.5%	25.9%	59.8%	22.4%	2.0%	-8.9%	0.9%	24.3%	10.4%
<b>Agriculture</b>	<b>-7.3%</b>	<b>9.7%</b>	<b>43.8%</b>	<b>66.9%</b>	<b>51.7%</b>	<b>40.0%</b>	<b>29.2%</b>	<b>28.5%</b>	-0.5%	32.2%
Natural Rubber	9.6%	14.5%	43.9%	58.6%	71.3%	60.8%	42.0%	84.9%	-23.6%	45.5%
Saw log	-62.8%	2.6%	-50.8%	202.9%	-45.1%	85.7%	9.6%	-25.7%	-35.0%	4.1%
Sawn Timber & Mouldings	-15.6%	-25.2%	15.8%	255.0%	57.2%	-47.6%	-36.5%	-19.0%	-32.3%	-1.5%
<b>Mining</b>	<b>-31.0%</b>	<b>-7.8%</b>	<b>-24.1%</b>	<b>24.5%</b>	<b>76.0%</b>	<b>32.9%</b>	<b>18.3%</b>	<b>50.6%</b>	-26.9%	9.1%
Tin	78.2%	50.1%	206.2%	88.5%	59.9%	40.5%	29.8%	-15.9%	-27.3%	59.8%
Crude Petroleum	-31.9%	-24.3%	-27.2%	37.1%	141.0%	109.5%	-6.8%	-3.9%	-28.7%	4.6%
Liquefied Natural Gas	-40.0%	-17.0%	-24.3%	-1.3%	45.2%	12.4%	69.9%	110.2%	-25.9%	6.3%
<b>Others</b>	<b>-38.1%</b>	<b>-30.2%</b>	<b>-7.3%</b>	<b>202.0%</b>	<b>17.2%</b>	<b>39.4%</b>	<b>6.3%</b>	<b>15.3%</b>	<b>-42.5%</b>	<b>5.4%</b>
<b>Import by End-Use</b>										
Capital Goods	-5.4%	38.3%	93.3%	-38.2%	33.9%	14.9%	25.6%	22.9%	-8.4%	11.2%
Intermediate Goods	1.4%	-0.1%	12.4%	64.4%	52.4%	25.3%	42.7%	13.4%	-8.7%	24.1%
Consumption Goods	1.3%	17.6%	13.0%	29.9%	37.6%	19.3%	0.2%	-0.6%	-1.6%	13.9%

## COMPARISON WITH REGIONAL PEERS

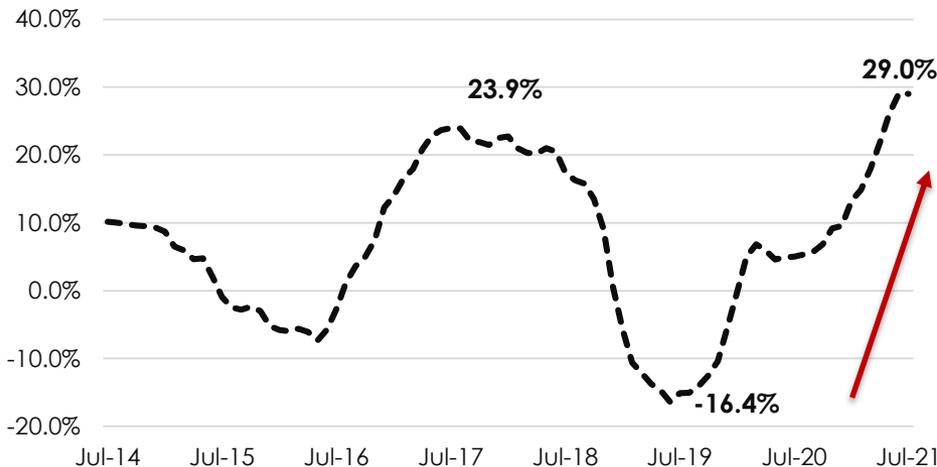
Country	Jan-21	Feb-21	Mar-21	Apr-21	May-21	Jun-21	Jul-21	Aug-21	8M2020	8M2021
U.S.	-0.5%	-3.8%	13.2%	52.3%	59.5%	40.4%	28.0%	N.A.	-16.4%	N.A.
China	24.6%	154.7%	30.5%	32.2%	27.8%	32.2%	19.3%	25.6%	-2.6%	33.7%
Japan	6.4%	-4.5%	16.1%	38.0%	49.6%	48.6%	37.0%	26.2%	-15.8%	25.3%
Singapore	12.6%	4.2%	11.9%	6.0%	8.6%	15.9%	12.7%	2.7%	5.9%	9.3%
India	6.4%	-0.5%	61.5%	202.5%	68.2%	47.9%	49.8%	45.8%	-21.1%	47.0%
Indonesia	12.2%	8.6%	30.8%	52.1%	62.0%	54.4%	29.4%	64.1%	-6.6%	37.8%
Thailand	0.2%	-2.7%	8.3%	13.1%	41.6%	43.8%	20.3%	8.9%	-7.6%	15.2%
South Korea	11.4%	9.3%	16.3%	41.2%	45.6%	39.7%	29.6%	34.9%	-10.6%	27.6%
Taiwan	36.8%	9.7%	27.1%	38.4%	38.6%	35.1%	34.7%	26.9%	1.5%	31.0%
Malaysia	6.3%	17.4%	30.9%	62.7%	47.0%	27.2%	5.0%	18.4%	-5.4%	24.9%

Sources: CEIC, Trading Economics

- ✓ Most of the regional countries continued to record double-digit expansion in August. For instance, Indonesia's exports recorded largest growth within the peers, rising by 64.1% y-o-y in August after increasing by 29.4%. The upturn was fuelled by significant increase in exports of crude oil by 104.4% y-o-y in August (July: 60.6%).
- ✓ In addition, China and South Korea have also expanded stronger by 25.6% and 34.9% in August from 19.3% and 29.6% in the month before respectively in light of higher commodity prices, as well as firm external demand improved with many economies gradually recovering from the Covid-19 pandemic.
- ✓ However, according to IHS Markit survey, manufacturers reported having trouble to hire workers and difficulty to source supply. Therefore, these factors are likely to weigh on the new exports orders and lengthen delivery times and would consequently disrupt trade activities moving forward.

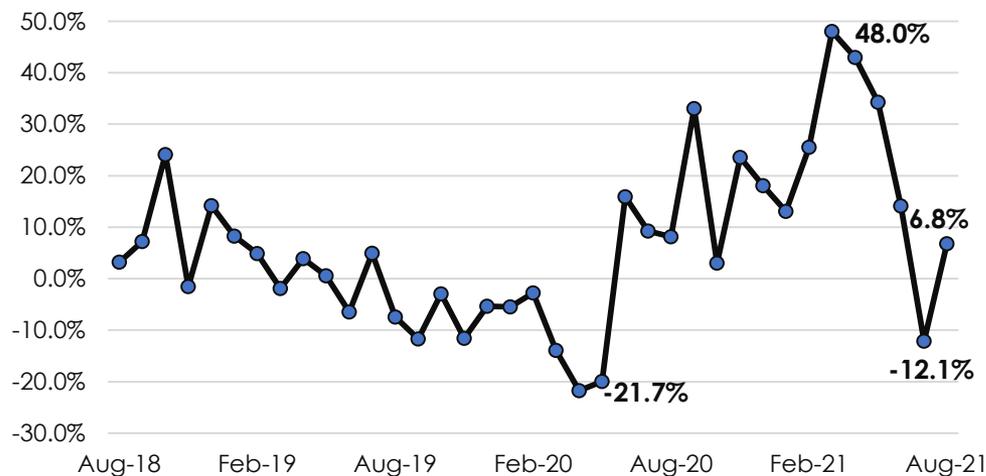
# ROBUST GLOBAL DEMAND FOR SEMICONDUCTOR WOULD FURTHER SUPPORT MALAYSIA'S E&E EXPORTS

GSS, y-o-y%



Source: Semiconductor Industry Association (SIA)

Malaysia's E&E Export, y-o-y%



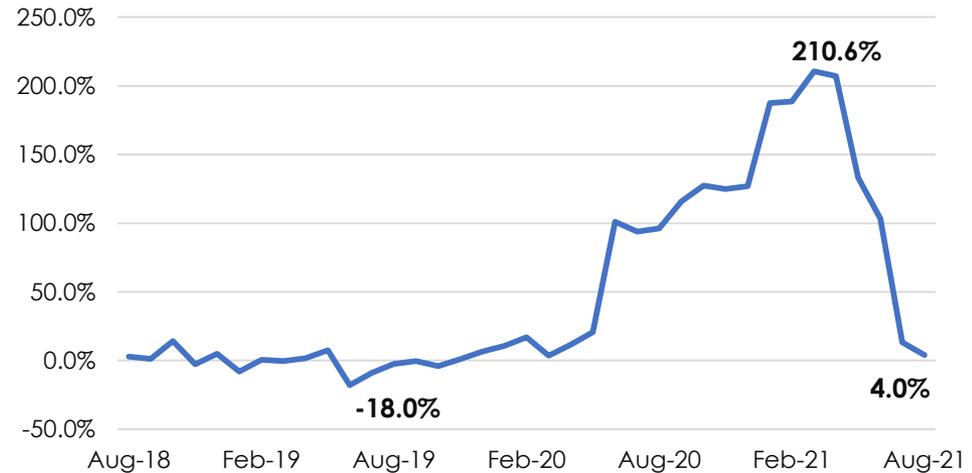
Sources: DOSM and CEIC  
ECONOMIC RESEARCH

- ✓ The semiconductor industry continues to gain its traction backed by strong demand conditions globally and its bright prospects.
- ✓ Thus far, according to the International Data Corporation (IDC), semiconductor market is expected to grow by 17.3% this year, higher than the 10.3% expansion in 2020.
- ✓ The IDC reported that the chip market is performing well due to the growing end markets like mobile phones, notebooks, servers, automotive, smart home, gaming, wearables and Wi-Fi access points.
- ✓ This was in tandem with the latest performance of the Global Semiconductor Sales (GSS) in July, which posted a double-digit growth for the seventh straight month since January this year (July: 29.0% vs. June: 29.2%).
- ✓ On the domestic front, Malaysia's export on E&E products rebounded by 6.8% in August from a 12.1% contraction in the preceding month, suggesting an improvement on production lines after strict standard operating procedures (SOPs) were imposed on factories during June and July to tackle the rising Covid-19 infections.
- ✓ With restrictions gradually being relaxed for operating capacity under the National Recovery Plan (NRP) combined with the higher vaccination rate and strong demand for semiconductors, we believe these factors could further accelerate production and sales for E&E industry moving forward.

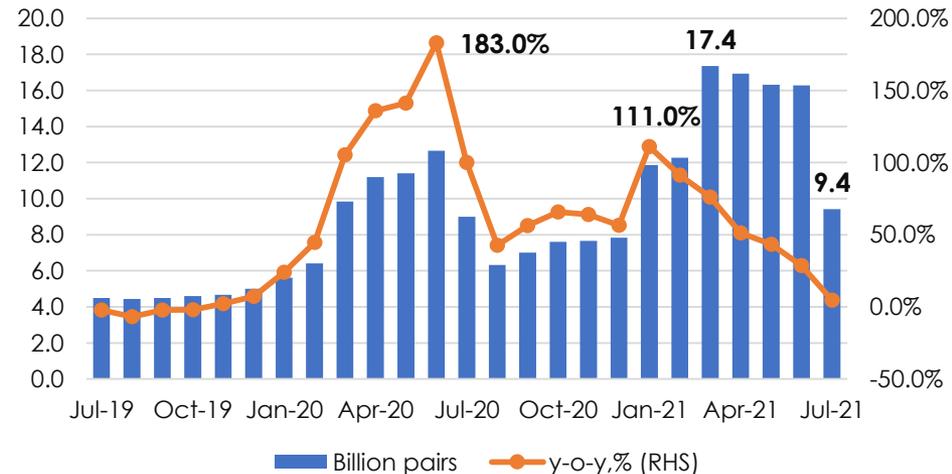
# SLOWER EXPORT SALES FOR RUBBER PRODUCTS CONTINUES DURING AUGUST

- ✓ Malaysia's exports for rubber products eased by 4.0% in August (July: 13.3%) after registering series of a triple-digit growth in the previous month.
- ✓ As Malaysia is considered as a major producer of rubber gloves worldwide, production disruptions caused by a flare-up of the coronavirus pandemic could be the main reason for the decline in overall sales in rubber products during August.
- ✓ Consequently, Chinese companies have been meeting the rising demand from the U.S. and Europe on rubber gloves as Malaysia lost its competitiveness amid longer required lead time for orders as result of lower manpower and capacity mandated by Covid-19 restrictions.
- ✓ This can be seen from Malaysia's rubber glove production, which plummeted by 42.2% month-on-month (m-o-m) in July, extending the 0.3% fall in the preceding month.
- ✓ Apart from that, we believe the demand for rubber gloves is expected to normalize moving forward after facing surge amid the pandemic. Nevertheless we opine that demand levels will continue to be above higher than what was seen prior to the pandemic.

**Rubber Products' Export Growth, y-o-y%**



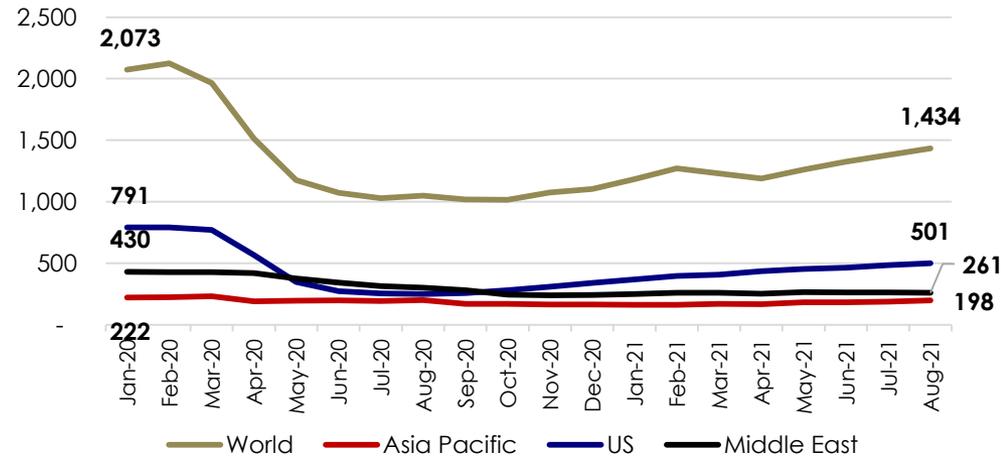
**Malaysia's Rubber Glove Production, Billion Pairs, y-o-y%**



# THE EXPORTS OF MINING SECTOR CONTINUES TO SHOW IMPROVEMENT AS THE GLOBAL ECONOMY RECOVERS

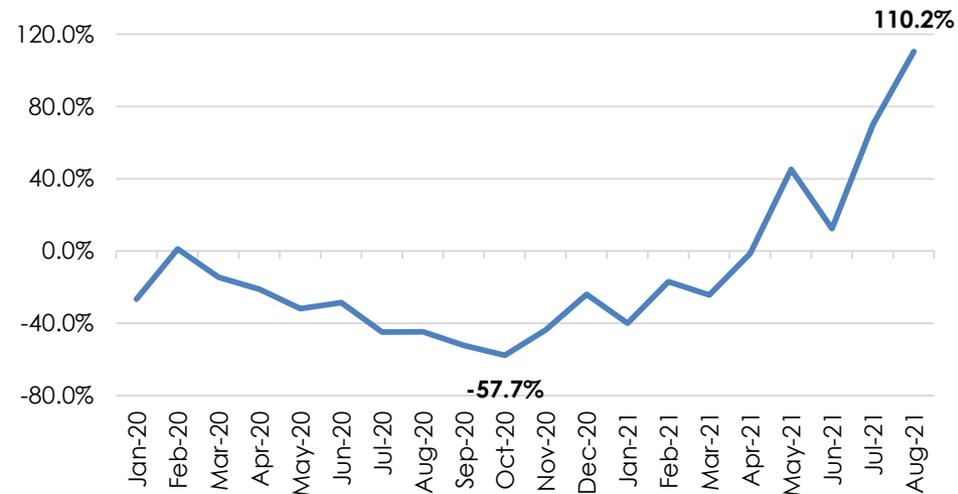
- ✓ Looking at exports of the mining sector, we observed that exports of crude petroleum recorded a slower contraction of 3.9% in August (July: -6.8%). The narrowing decline in exports of crude petroleum with increasing production activities in the oil and gas space reflected by the increase in the number of oil rigs globally.
- ✓ The total number of rigs worldwide reached 1,434 rigs in August this year (July: 1,380 rigs) compared to 1,050 rigs in August last year.
- ✓ Moreover, the Organization of the Petroleum Exporting Countries (OPEC) on 13 September boosted its forecast for 2022 growth in global oil demand to 100.83 million barrels per day (bpd) (2021F: 96.68 million bpd) from its August projection of 99.86 million bpd.
- ✓ Therefore, exports for crude petroleum is likely to improve in the coming months.
- ✓ Apart from that, the exports of Liquefied Natural Gas (LNG) grew faster by 110.2% y-o-y in August (July: 69.9%). This comes as demand for a cleaner alternative for fossil fuel as the world aims to reduce carbon emissions.

Global Oil Rig Count



Source: Baker Hughes

Exports Growth of Liquefied Natural Gas, y-o-y%

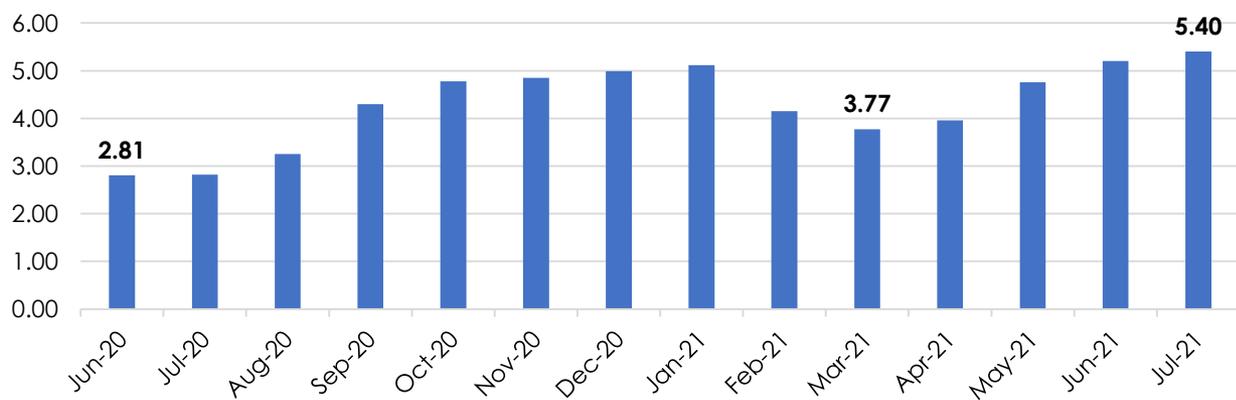


Sources: CEIC, DOSM

# SEABORNE TRADE – MALAYSIAN PORTS ARE NOT SPARED FROM CONGESTION ISSUES FOLLOWING THE SURGE IN EXTERNAL DEMAND

- ✓ The commendable y-o-y increase in exports growth in August coincided with the issue of port congestions.
- ✓ Port operators such as Westports in Port Klang experienced a congestion at their container yards whereby the utilization rates of the container yards exceeded 100.0% in August amid the surge in demand from other parts of the world as economies gradually reopen. An optimum utilisation rate for container yards usually range from 80.0% to 85.0% on average.
- ✓ On further scrutiny, the congestion in the container yard is happening due to persistent high dwell time for boxes (currently at 16 days compared to just 6 days prior to the pandemic due to the global supply chain bottleneck).
- ✓ Given global inter-linkages surrounding ports around the globe, ports in other parts of the world are also facing congestion as of late such as the Port of Los Angeles and Port of Long Beach. The monthly average dwell time at these ports have been steadily increasing to reach 5.40 days in August from 3.77 days in March this year.
- ✓ Global port players note that supply chain disruption to likely linger for another year as economic activities regain momentum to revert to pre-pandemic levels.
- ✓ Therefore, any additional headwinds in the forms of closure at major ports in countries like China could have a ripple effect on international trade activity.

**Monthly Average Dwell Time for Containers at the Port of Los Angeles and Long Beach, days**



# AIRBORNE TRADE – AIR CARGO VOLUME CONTINUES TO GROW AMID E-COMMERCE EXPANSION

## Asia Pacific Air Freight Traffic Statistics

Air Freight Metrics	Aug-20	Jul-21	Aug-21	Year-on-year % change	Month-on-month % change	8M2020	8M2021	Year-on-year % change
Freight Tonne Kilometers (million tkm)	4,746.0	6,144.0	5,980.0	26.0%	-2.7%	38,371.0	46,298.0	20.7%
Freight Available Tonne Kilometers (million tkm)	6,683.0	8,061.0	7,870.0	17.8%	-2.4%	59,506.0	62,327.0	4.7%
Freight Load Factor (%)	71.0%	76.2%	76.0%	+5.0 ppts	-0.2 ppts	64.5%	74.3%	+9.8 ppts

Source: Association of Asia Pacific Airlines

Note: tkm-tonne-kilometers

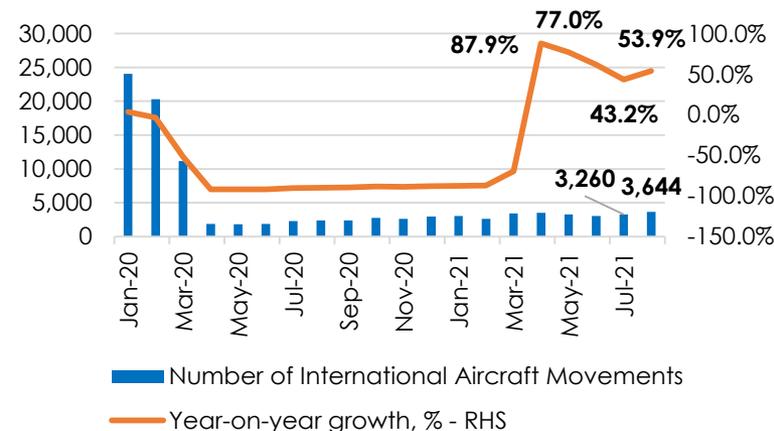
**Freight Tonne Kilometers (FTK):** Measure of the actual freight carried by a flight. It is calculated by multiplying the number of tonnes of actual freight carried on an aircraft by the distance travelled in kilometers.

**Freight Available Tonne Kilometers (FATK):** Measure of a flight's freight carrying capacity. It is calculated by multiplying the number of tonnes of freight capacity available on an aircraft by the distance travelled in kilometers.

**Freight Load Factor:** The ratio of the average load carried to total available freight capacity and obtained by dividing FTK with FATK.

- ✓ International air cargo markets remained resilient, propelled by ongoing expansion in e-commerce and demand for intermediate goods. Asia Pacific airlines recorded a 26.0% y-o-y increase in international air cargo demand as measured in freight tonne-kilometres (FTK) to 5,980 million tkm in August (July: 6,144 million tkm) which exceeded the volumes recorded in August 2019 of 5,800 million tkm .
- ✓ The average international freight load factor climbed by 5.0 percentage points to 76.0% for August (July: 76.2%) from a year ago, after accounting for a 17.8% year-on-year increase in offered freight capacity in the same month (July: 16.4% y-o-y).
- ✓ Similarly, the international aircraft movements at Kuala Lumpur International Airport (KLIA) increased by 53.9% y-o-y in August (July: 43.2%) to 3,644 aircrafts. As inter-state tourism remained restricted in the month of August, the bulk of aircraft movements was still likely attributable to air freighter jets transporting goods.
- ✓ We opine that the supply congestion at ports will remain a catalyst for the air cargo market to continue growing in the coming months.

## International Aircraft Movements at Kuala Lumpur International Airport



Source: Malaysia Airports Holdings Berhad

- ✓ The transition of states into the remaining phases of the NRP is expected to enable manufacturers to clear the backlog of orders after facing tighter restrictions on working capacity.
- ✓ Exports of goods such as manufacture of metal (August: 69.8% vs. July: 19.6%), iron & steel products (August: 17.4% vs. July: -0.2%) and machinery, equipment & parts (August: 27.9% vs. July: -8.8%) expanded markedly, indicating that the higher working capacity allowed based number of vaccinated workers did contribute to conducive environment to boost output.
- ✓ In relation to the Public-Private Partnership Covid-19 Industry Immunisation Programme (PIKAS) that involves the vaccination of industry workers, the progress continues to be smooth. As at 23 September 2021, 891,032 manufacturing sector workers registered under PIKAS have been fully vaccinated.
- ✓ All in all, **we reiterate our exports growth forecast of 13.8% for 2021 after the 1.4% contraction in 2020 despite exports growing by 24.9% in 8M2021 (8M2020: -5.4%)**. Although restrictions on operating capacity have been gradually relaxed, headwinds for manufacturers can come from many angles. As mentioned earlier, recruiting manpower could be a hurdle if manufacturers still face cash flow problems caused by the lockdowns. Moreover, sourcing raw materials could be a challenge in light of the supply chain bottleneck, dragging the flow of manufacturing process flow.

### NRP progress effective from 28 September 2021

States			
Phase 1	Phase 2	Phase 3	Phase 4
Kedah	Pulau Pinang	Perlis	Labuan
	Perak		
	Kelantan		
	Sabah		
	Federal Territory Of Kuala Lumpur	Pahang	
	Federal Territory Of Putrajaya	Terengganu	Negeri Sembilan
	Selangor		
	Melaka	Sarawak	
	Johor		

### Public-Private Partnership Covid-19 Industry Immunisation Programme (PIKAS) Statistics As At 23 September 2021

<b>Number of workers vaccinated with first dose under PIKAS</b>	1,000,401
<b>Number of workers fully vaccinated under PIKAS</b>	891,032

Source: Ministry of International Trade And Industry (MITI)

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