



From the Desk
of the
Chief Economist

BANK ISLAM

EXPORTS SOARED BY 17.6% IN FEBRUARY

29 MARCH 2021

ECONOMIC RESEARCH

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February
17.6%
January
6.6%

Exports

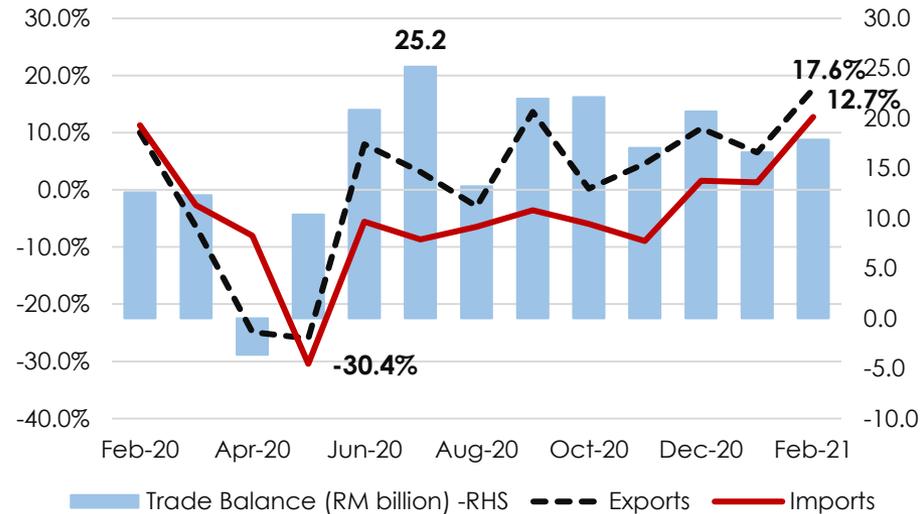
February
12.7%
January
1.3%

Imports

February
RM17.9 Billion
January
RM16.6 Billion

Trade Balance

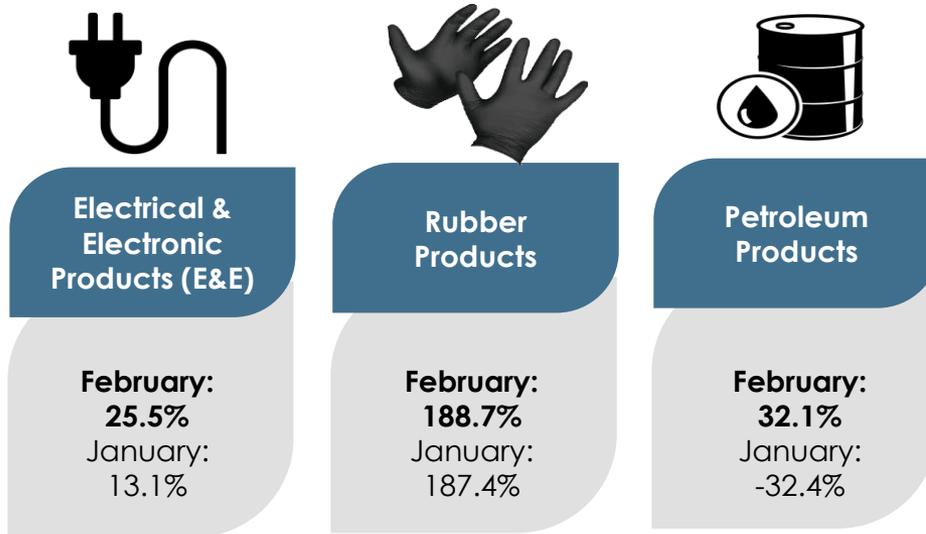
External Trade Performance



Source: CEIC

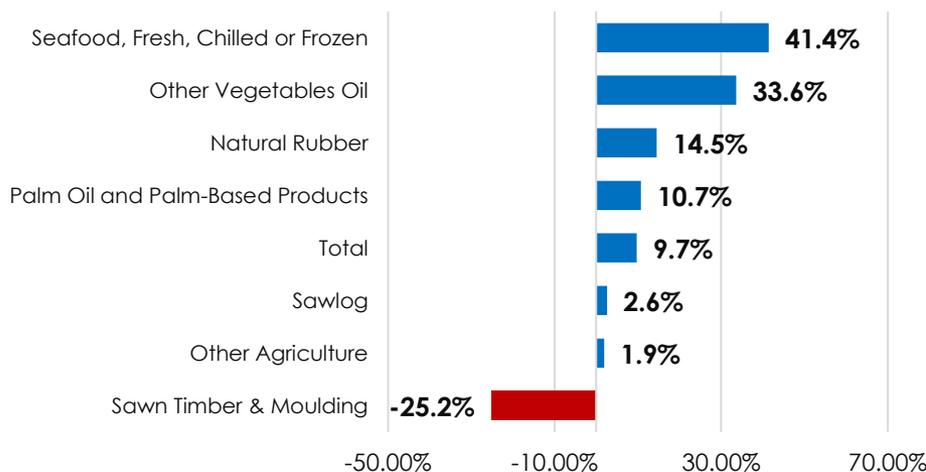
- ✓ Malaysia's exports jumped by 17.6% year-on-year (y-o-y) in February, extending the 6.6% gains in the preceding month (Consensus: 7.0%).
- ✓ The expansion was mainly contributed by exports of the Manufacturing sector which increased by 20.9% in February (January: 11.7%), followed by Agriculture sector which recovered by 9.7% in February from a 7.3% contraction in the previous month. Both sectors accounted for 93.7% of total exports during February.
- ✓ Nevertheless, exports of the Mining sector continued to drop though at a softer pace, marking the 20th consecutive month of decline since July 2019 (February: -7.8% vs. January: -31.0%).

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



- ✓ Within the Manufacturing industry, exports of E&E Products (February: 25.5% vs. January: 13.1%) and Rubber Products (February: 188.7% vs. January: 187.4%) continued to anchor the growth, contributing for 50.1% of total manufactured goods exports.
- ✓ Apart from that, exports of Petroleum Products rebounded by 32.1% in February from a 32.4% contraction in the preceding month.

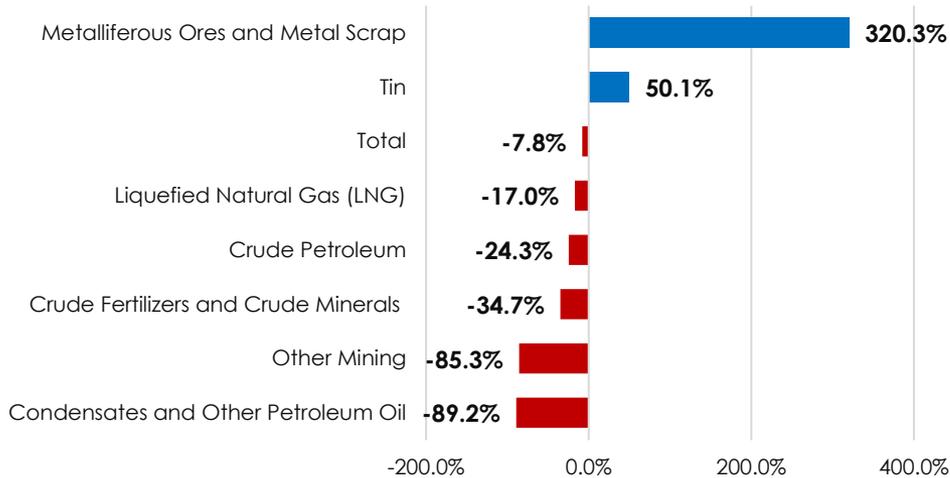
Exports by Sector - Agriculture, y-o-y%



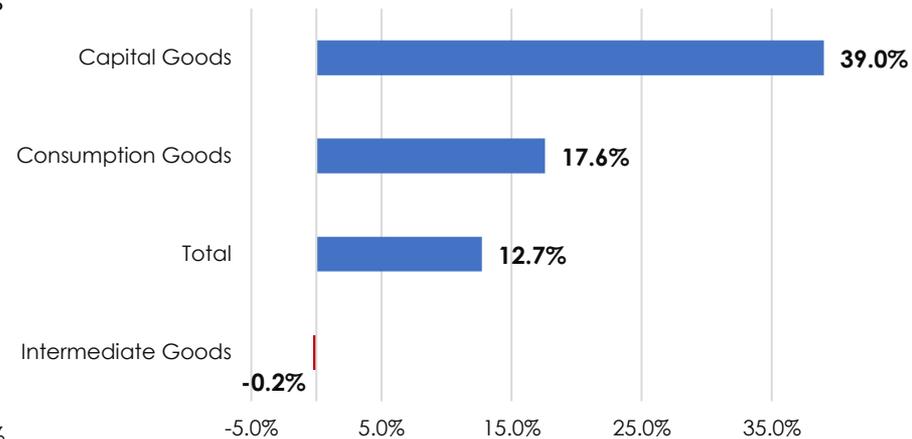
- ✓ As for the Agriculture sector, the expansion was mainly underpinned by higher exports of Palm Oil & Palm-Based Products (February: 10.7% vs. January: -10.9%). Meanwhile, exports of Natural Rubber increased by 14.5% in February from a 9.6% growth previously. Both products accounted for 75.4% of total Agriculture product exports.

MINING REMAINED IN NEGATIVE TERRITORY FOR THE 20TH 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 (February: -17.0% vs. January: -40.0%) and Crude Petroleum (February: -24.3% vs. January: -31.9%) have continued to weigh on the sector's performance.
- ✓ On imports, it rose by 12.7% in February from a 1.3% growth previously. On further scrutiny, imports of Capital Goods rebounded by 39.0% in February from a 5.4% contraction in the previous month, while imports of Consumption Goods surged by 17.6% in February (January: 1.3%). On the other hand, imports of Intermediate Goods dropped by 0.2% in February from a 1.4% expansion previously. Consequently, the trade surplus balance widened from RM16.6 billion in January to RM17.9 billion in February.
- ✓ On a cumulative basis, exports expanded by 11.7% in 2M2021 from a 2.9% growth in the same period last year while imports inched up by 6.6% in 2M2021 (2M2020: 3.4%). As such, the trade surplus increased from RM24.7 billion in 2M2020 to RM34.5 billion in 2M2021.

EXTERNAL TRADE PERFORMANCE

Y-o-Y%	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	Jan-21	Feb-21	2M2020	2M2021
Exports	8.0%	3.1%	-2.9%	13.6%	0.2%	4.6%	10.8%	6.6%	17.6%	2.9%	11.7%
Imports	-5.6%	-8.7%	-6.5%	-3.6%	-6.0%	-9.0%	1.6%	1.3%	12.7%	3.4%	6.6%
Trade balance (RM billion)	20.9	25.2	13.2	21.9	22.1	17.1	20.7	16.6	17.9	24.7	34.5
Export by sector											
Manufacturing	13.1%	4.7%	-0.1%	16.3%	2.5%	8.2%	12.4%	11.7%	20.9%	5.4%	16.1%
Electrical & Electronic Products	15.9%	9.2%	7.6%	33.0%	3.0%	23.6%	18.1%	13.1%	25.5%	-4.3%	18.5%
Chemical & Chemical Products	-8.1%	-23.2%	-23.4%	0.6%	-16.1%	-6.6%	0.9%	10.6%	20.3%	-7.3%	15.5%
Machinery, Equipment & Parts	29.7%	-4.5%	-11.3%	5.0%	3.2%	-5.0%	2.4%	-1.5%	-0.2%	13.7%	-0.8%
Petroleum Products	-26.2%	-6.5%	-16.0%	-29.5%	-25.6%	-27.1%	-22.0%	-32.4%	32.1%	32.0%	-4.8%
Manufactures of Metal	9.4%	-5.9%	-30.7%	-5.9%	-10.1%	-5.3%	34.9%	19.9%	27.0%	4.6%	23.4%
Transport Equipment	2.8%	-5.5%	-19.9%	-35.8%	-14.6%	-26.5%	-29.9%	4.9%	-8.7%	15.4%	-1.3%
Optical & Scientific Equipment	33.8%	9.9%	28.6%	6.2%	-3.0%	0.6%	4.6%	9.9%	-0.3%	20.5%	4.6%
Processed Food	13.0%	-1.1%	-7.0%	-0.4%	-0.6%	-12.5%	2.1%	9.2%	1.5%	18.2%	5.3%
Textiles, Apparels & Footwear	-9.4%	-10.2%	-12.2%	3.9%	10.8%	-10.8%	5.5%	-5.9%	-0.5%	7.1%	-3.3%
Iron & Steel Products	16.3%	9.1%	23.3%	30.3%	21.4%	-20.2%	2.8%	3.9%	-20.4%	31.1%	-9.5%
Manufacture of Plastics	1.2%	-16.9%	-25.2%	-12.8%	-12.4%	-14.2%	4.2%	7.5%	-1.1%	1.7%	3.2%
Paper & Pulp Products	26.9%	-15.2%	-15.5%	-16.6%	-4.1%	-15.0%	6.9%	16.3%	9.5%	29.4%	12.8%
Rubber Products	101.0%	93.9%	66.8%	115.8%	127.3%	124.8%	126.9%	187.4%	188.7%	13.8%	188.0%
Palm Oil-Based Manufactured Products	-4.8%	-17.7%	-10.3%	-5.0%	-10.7%	0.3%	6.3%	6.0%	9.8%	-0.9%	8.0%
Non-Metallic Mineral Products	-8.0%	-19.9%	-21.3%	-14.4%	-9.4%	-7.4%	9.1%	14.2%	-0.4%	38.4%	6.6%
Beverages & Tobacco	-19.5%	-11.8%	-28.5%	-16.9%	-23.3%	-38.1%	11.8%	-8.2%	-31.6%	-11.4%	-20.2%
Jewellery	-76.5%	-55.3%	-38.4%	-20.6%	-23.4%	-16.4%	-8.9%	-6.5%	-22.3%	5.7%	-14.1%
Wood Products	36.0%	13.6%	1.4%	15.2%	9.9%	3.1%	12.3%	2.2%	-3.7%	15.8%	-0.8%
Others	69.7%	40.6%	8.5%	33.3%	29.6%	18.0%	16.6%	8.0%	-7.5%	27.6%	-0.4%
Agriculture	26.0%	30.4%	-4.5%	26.6%	28.7%	6.0%	47.1%	-7.3%	9.7%	2.1%	1.1%
Natural Rubber	-37.9%	-41.1%	-32.9%	-7.7%	2.8%	23.2%	27.9%	9.6%	14.5%	15.0%	12.2%
Saw log	16.9%	-24.7%	-6.9%	-11.3%	-49.5%	-68.8%	40.5%	-62.8%	2.6%	-27.6%	-39.3%
Sawn Timber & Mouldings	0.7%	-8.6%	-39.2%	-6.2%	-28.2%	-10.7%	-14.6%	-15.6%	-25.2%	-15.8%	-20.6%
Mining	-46.4%	-30.2%	-25.9%	-27.4%	-47.2%	-32.1%	-31.0%	-31.0%	-7.8%	-16.3%	-20.8%
Tin	25.0%	-27.9%	0.0%	-22.2%	21.7%	19.1%	46.6%	78.2%	50.1%	-46.3%	65.5%
Crude Petroleum	-70.9%	-4.9%	0.0%	22.2%	-44.8%	-28.7%	-42.9%	-31.9%	-24.3%	-11.2%	-28.6%
Liquefied Natural Gas	-26.6%	-47.6%	-49.1%	-52.2%	-57.7%	-43.6%	-23.9%	-40.0%	-17.0%	-16.0%	-29.5%
Others	-49.1%	-51.9%	-57.9%	-28.6%	-25.0%	-44.8%	-29.1%	-38.1%	0.0%	-1.8%	-36.2%
Import by End-Use											
Capital Goods	2.8%	-19.8%	-15.6%	-2.2%	-14.9%	-26.6%	-2.1%	-5.4%	39.0%	-15.6%	13.1%
Consumption Goods	8.9%	0.1%	2.9%	11.2%	3.1%	-7.2%	3.3%	1.3%	17.6%	3.3%	8.4%
Intermediate Goods	-10.7%	-17.3%	-5.6%	-17.7%	-6.0%	-10.6%	-5.0%	1.4%	-0.2%	11.4%	0.6%

Sources: DOSM, CEIC

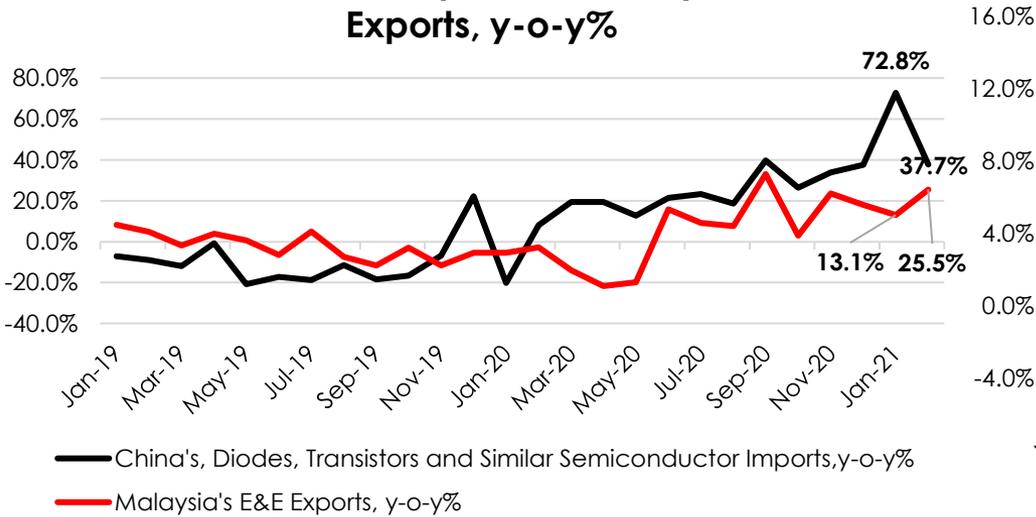
- ✓ Most of the regional economies continued to record a positive growth in February this year as more business activities have become livelier in tandem with the start of the vaccination programs across the globe.
- ✓ For instance, China's exports jumped by 154.9% in February (January: 24.8%). The surge in exports was driven by a rebound in foreign demand amid improvements in manufacturing industries in the European Union and the US. Aside from that, fiscal stimulus measures in the US has resulted in higher imports of Chinese products to the country.
- ✓ This was followed by Taiwan's exports which posted a 9.7% increase in February from a 36.8% growth previously. Meanwhile South Korea's and Indonesia's exports grew by 9.5% and 8.6% in February though at a slower pace compared to 11.4% and 12.2% in the preceding month respectively.

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

Exports	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	Feb-21	2M 2020	2M 2021
US	-1.4%	-0.6%	-9.1%	-29.6%	-35.1%	-23.8%	-15.8%	-13.2%	-9.6%	-7.4%	-6.5%	-2.7%	-0.7%	-5.4%	-1.0%	-3.0%
China	-2.7%	-40.5%	-6.8%	3.5%	-3.3%	0.5%	7.2%	9.5%	9.9%	11.4%	21.1%	18.1%	24.8%	154.9%	-17.2%	60.6%
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%	-4.5%	-1.8%	1.0%
Singapore	-3.3%	3.1%	16.6%	9.7%	-4.6%	13.9%	5.9%	7.7%	5.8%	-3.1%	-5.0%	6.8%	12.7%	4.2%	-0.2%	8.4%
India	-2.1%	3.3%	-34.3%	-61.0%	-35.7%	-12.2%	-9.5%	-12.2%	6.0%	-4.9%	-8.4%	0.2%	6.2%	0.7%	0.6%	3.3%
Indonesia	-2.8%	10.0%	-2.6%	-6.9%	-29.1%	2.1%	-10.1%	-8.2%	-0.9%	-3.5%	9.4%	14.6%	12.2%	8.6%	3.3%	10.3%
Thailand	3.4%	-3.9%	3.8%	2.1%	-22.5%	-23.1%	-11.3%	-7.8%	-4.2%	-6.7%	-3.7%	4.9%	0.4%	-2.6%	-0.3%	-1.1%
South Korea	-6.6%	3.6%	-1.7%	-25.6%	23.7%	-10.9%	-7.1%	-10.3%	7.1%	-3.9%	3.9%	12.4%	11.4%	9.5%	-1.9%	10.5%
Taiwan	-7.6%	24.9%	-0.7%	-1.3%	-2.0%	-3.8%	0.3%	8.3%	9.3%	11.2%	12.0%	12.0%	36.8%	9.7%	8.7%	23.3%
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%	17.6%	2.9%	11.7%

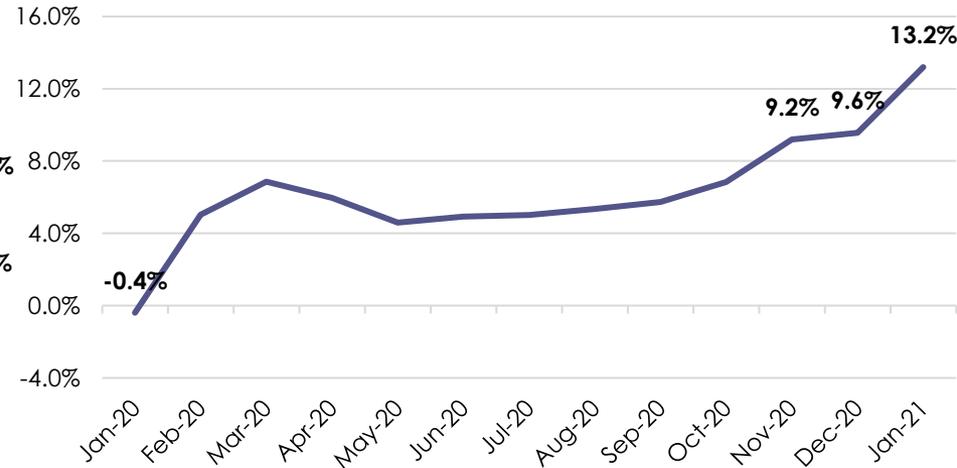
Sources: CEIC, Bloomberg

China's Diodes, Transistors and Similar Semiconductor Imports vs. Malaysia's E&E Exports, y-o-y%



Source: CEIC

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



Source: SIA

- ✓ Exports of E&E products continued to fuel Malaysia's exports performance in February this year as it formed a sizeable share of 36.0% out of total exports.
- ✓ The increase in Malaysia's exports of E&E products by 25.5% y-o-y in February (January: 13.1%) was in line with China's imports of diodes, transistors and semiconductors which marked its 13th straight month of gains although at a softer pace of 37.7% in February compared to 72.8% in the previous month.
- ✓ More importantly, 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 encouraged employees to work from home.
- ✓ The fresh lockdowns in Europe following the resurgence in Covid-19 cases may continue to sustain the need for E&E products in the near term as employees continue to work remotely.

OIL RIG COUNT IN MANY REGIONS HAVE SEEN AN UPTICK EXCEPT FOR ASIA PACIFIC

Worldwide Oil Rig Count

Region	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	Feb-21
Asia Pacific	222	224	231	191	196	197	193	200	169	170	164	164	162	161
Europe	133	130	123	112	111	110	105	109	113	101	102	97	94	98
Middle East	430	427	428	420	375	343	315	301	282	245	239	242	251	260
US	791	791	772	566	348	274	255	250	257	280	310	339	369	398
Canada	204	249	133	33	23	18	32	53	60	80	95	100	137	171
Latin America	179	184	169	89	62	71	74	75	83	86	101	109	119	125
Africa	114	120	108	103	61	60	56	62	55	54	63	53	51	57
World	2,073	2,125	1,964	1,514	1,176	1,073	1,030	1,050	1,019	1,016	1,074	1,104	1,183	1,270

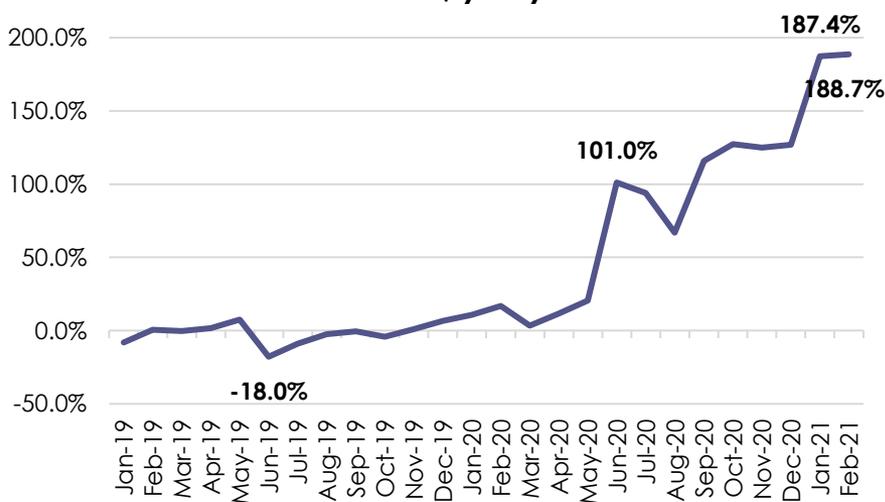
Source: Baker Hughes

- ✓ The total number of rigs worldwide increased to 1,270 rigs in February (January: 1,183 rigs). However, a year-on-year comparison shows that the prevailing oil rig counts are still low as the total number of rig counts stood at 2,125 rigs in February 2020.
- ✓ All regions experienced a month-on-month (m-o-m) increase in oil rigs during February with the exception of Asia Pacific which saw a decline in the rig count to 161 rigs (January: 162 rigs).
- ✓ Therefore, the overall increase in the number of rigs suggests that activity in the oil and gas sector is picking up and should support exporting activities moving forward underpinned by vaccine optimism which should boost demand for oil.
- ✓ This was in line with Malaysia's exports of crude petroleum which recorded a narrower decline of 24.3% y-o-y in February compared to a 31.9% drop in January.

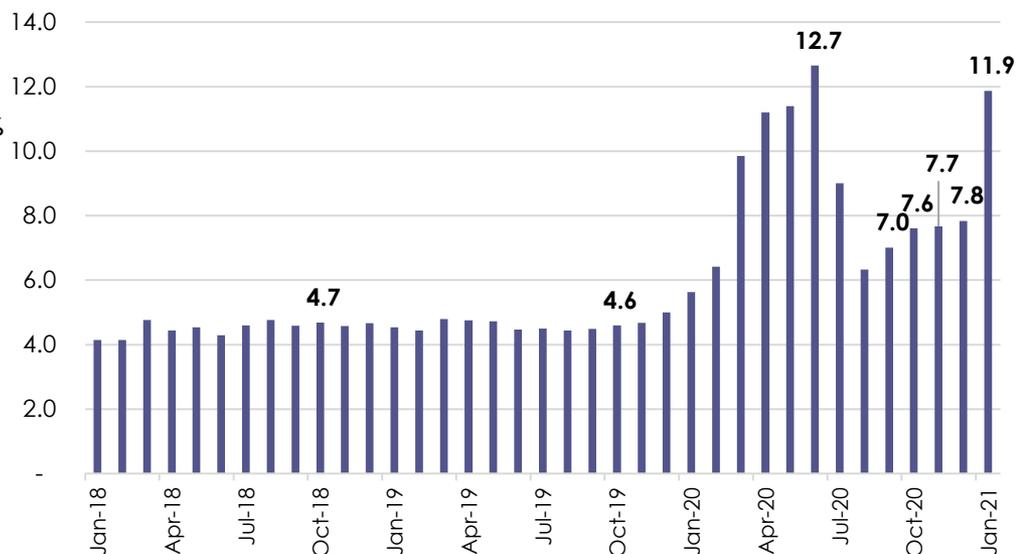
RUBBER GLOVE EXPORTS CONTINUE TO SOAR DESPITE VACCINE OPTIMISM

- ✓ As highlighted earlier, the exports for rubber products jumped by 188.7% in February (January: 187.4%).
- ✓ Meanwhile, Malaysia's rubber glove production in January 2021 increased by 111.0% y-o-y (December 2020: 56.6%). This brings the rubber glove production in January 2021 to 11.9 billion pairs from 7.8 billion pairs in the preceding month.
- ✓ On a wider scale, the Bloomberg Covid-19 tracker indicates that it would take as long as 5 years* to achieve a significant level of global immunity even after considering that vaccinations are happening more rapidly in affluent Western countries than the rest of the globe.
- ✓ Henceforth, the lengthy journey to reach herd immunity will support the demand for rubber gloves in the next four years at least.

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



Malaysian Rubber Glove Production (Billion Pairs)



Sources: CEIC, DOSM

*<https://www.bloomberg.com/graphics/covid-vaccine-tracker-global-distribution/>

OUR VIEW – HIGHER VACCINATION RATES SHOULD AID EXTERNAL DEMAND MOVING FORWARD

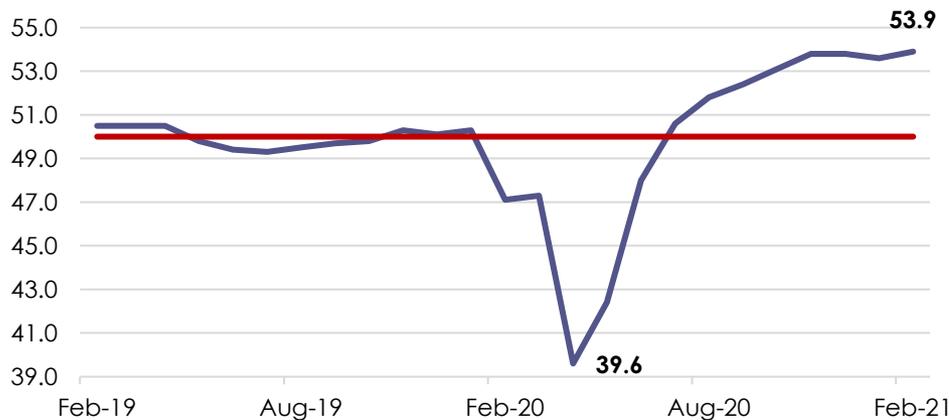
- ✓ On 25 March 2021, a containership by the name of 'Ever Given' blocked the Suez Canal and had been partially refloated at the time of writing.
- ✓ As a result, some shippers rerouted their cargoes around the Cape of Good Hope, adding about two weeks to journeys and extra fuel costs. Henceforth, there will likely be a delay in the exporting of goods as shipping schedules will have to be revised to take into account of the backlog at the Suez Canal. Nevertheless, we opine that the flow of cargoes will normalise within the next two weeks.
- ✓ In the months ahead, we opine that the manufacturing sector will continue to be the bellwether for exports growth. Recall that the JP Morgan Global Manufacturing Purchasing Managers' Index (PMI) reached 53.9 points in February (January: 53.6 points).
- ✓ With more vaccines entering the market, vaccination rates in many countries will increase and aid external demand.
- ✓ All in all, we believe that our **exports growth forecast of 4.5% in 2021 (2020: -1.2%)** is apt at this juncture considering the expected robust growth in the manufacturing sector, particularly E&E which will be driven by 5G deployment and global chip shortage.

The 'Ever Given' container vessel blocking the Suez Canal



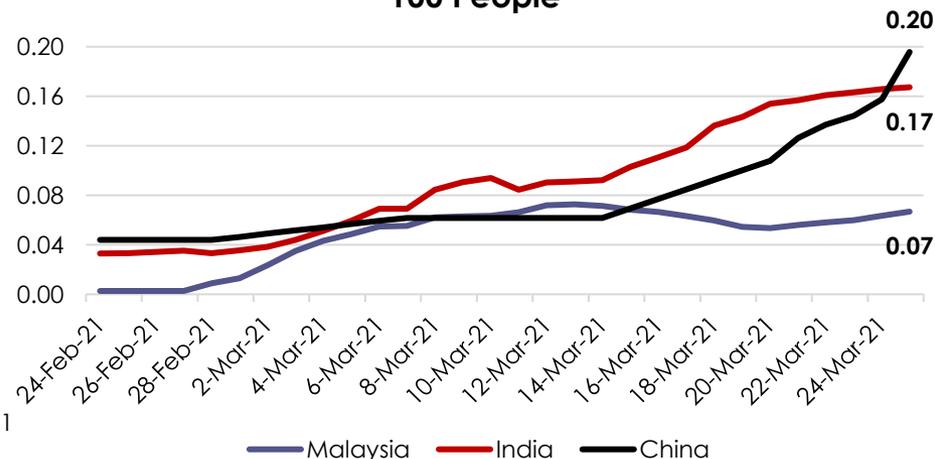
Source: Airbus Space

JP Morgan Global Manufacturing PMI, points



Source: IHS Markit

Daily Covid-19 Vaccine Doses Administered Per 100 People



Source: Our World In Data

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An aerial photograph of a city skyline at sunset, with a prominent pink bar at the bottom. The sky is filled with soft, golden light and scattered clouds. The city features numerous high-rise buildings, with a particularly tall, slender skyscraper on the left. A highway with traffic is visible in the foreground, winding through the city. The overall mood is warm and serene.

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