



From the Desk
of the
Chief Economist

BANK ISLAM

EXPORTS GROWTH SOFTENED TO THE TUNE OF 5.0% IN JULY

27 AUGUST 2021

ECONOMIC RESEARCH

DR. MOHD AFZANIZAM ABDUL RASHID

ADAM MOHAMED RAHIM

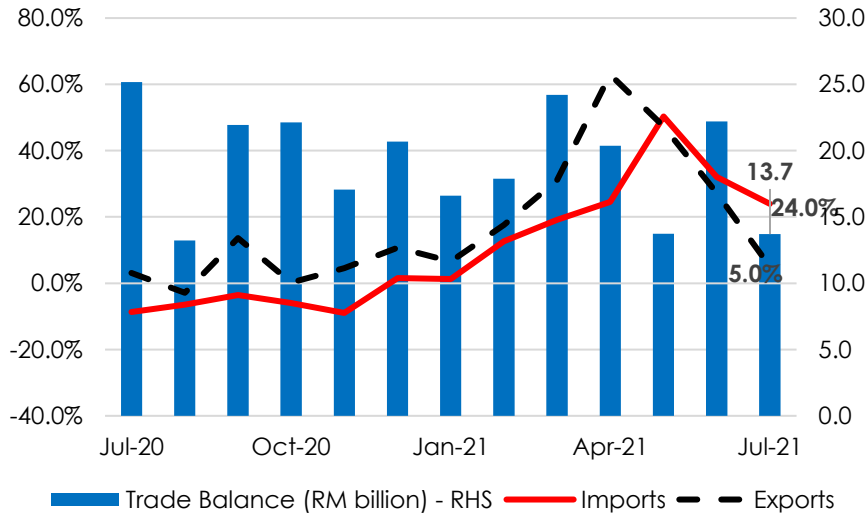
SHAFIZ BIN JAMALUDDIN

NOR JANNAH ABDULLAH

RAJA ADIBAH RAJA HASNAN

EXPORTS INCREASED MODERATELY BY 5.0% IN JULY

External Trade Performance



Exports

July
5.0%
June
27.2%



Imports

July
24.0%
June
32.1%



Trade Balance

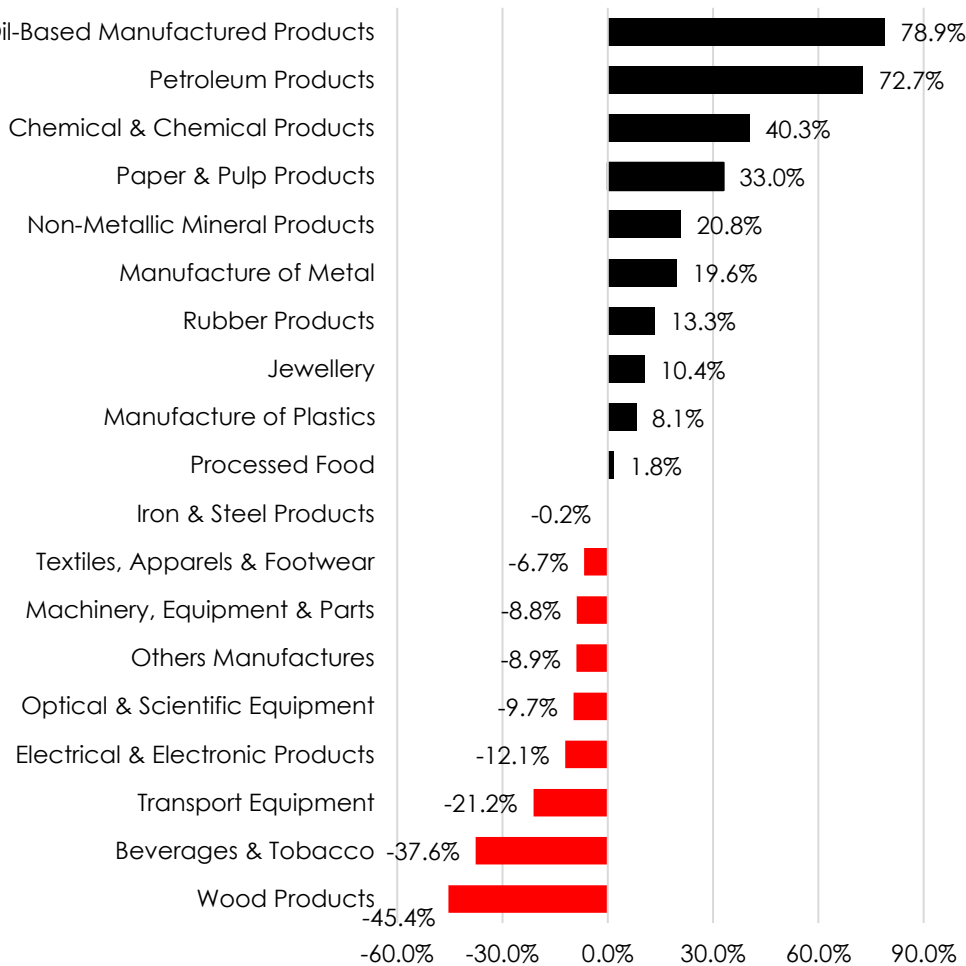
July
RM13.7 billion
June
RM22.2 billion

Source: CEIC

- ✓ Malaysia's exports performance grew moderately at a single-digit growth of 5.0% year-on-year (y-o-y) in July, after rising by 27.2% in the previous month (Consensus: 9.7%, Bank Islam: 18.7%).
- ✓ The modest growth in exports is attributable to the slowdown seen in the Manufacturing sector (July: 2.3% vs. June: 25.8%) and the Agriculture sector (July: 29.2% vs. June: 40.0%).
- ✓ Likewise, the Mining sector also experienced a smaller growth in terms of exporting activities in July at 18.3% compared to a 32.9% growth in June.

THE E&E SUB-SECTOR RECORDED ITS FIRST CONTRACTION IN EXPORTS AFTER 13 STRAIGHT MONTHS OF GAINS

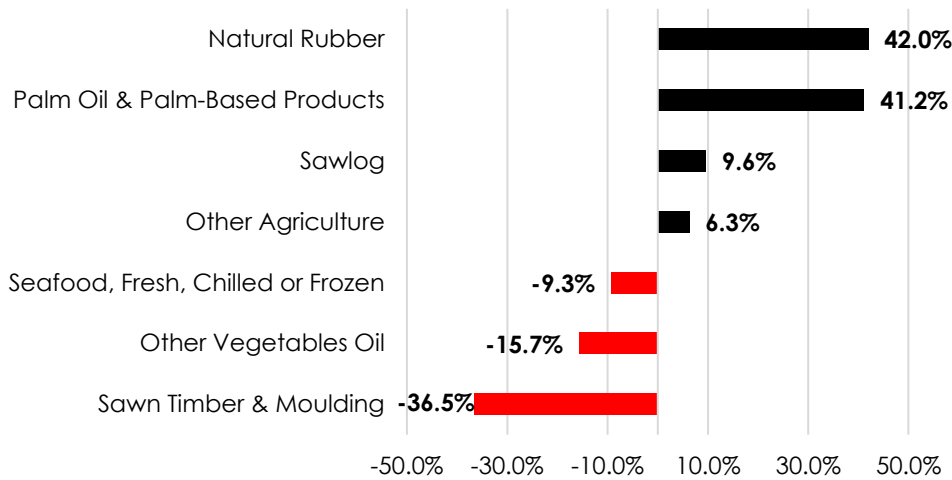
Manufacturing Sub-sector, y-o-y%



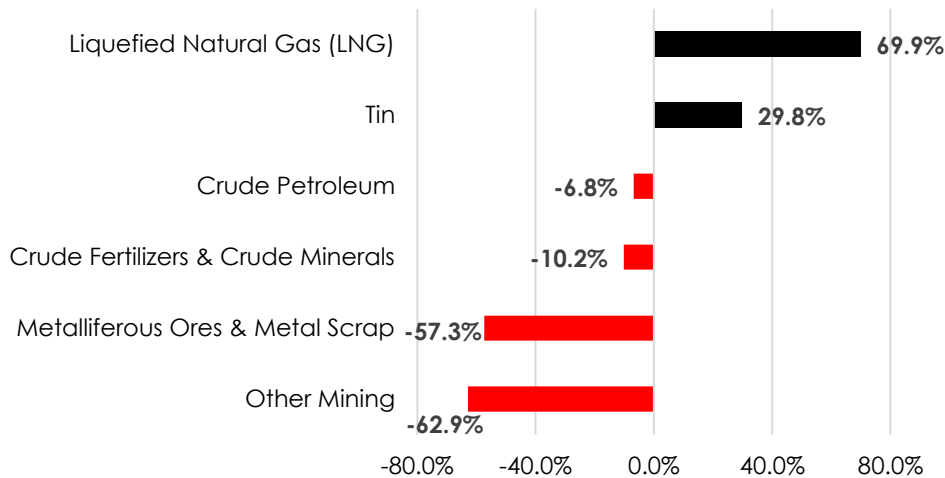
- ✓ Within the Manufacturing sector, Electrical & Electronic Products were seen as a major drag as it recorded a decline of 12.1% in July, almost reversing the 14.1% growth seen in the previous month amid the production crunch caused by the movement restrictions in July. Though it was not the biggest decliner for the month, it still remained as a heavyweight for the manufacturing sector, making up 41.9% of the sector's exports.
- ✓ Other decliners included Wood Products (July: -45.4% vs. June: -29.1%), followed by Beverages & Tobacco (July: -37.6% vs. June: -27.0%) and Transport Equipment (July: -21.2% vs. June: -26.9%) in July.
- ✓ Be that as it may, Palm Oil-Based Manufactured Products (July: 78.9% vs. June: 71.1%), Petroleum Products (July: 72.7% vs. June: 113.6%), Chemical & Chemical Products (July: 40.3% vs. June: 53.3%), as well as Paper & Pulp Products (July: 33.0% vs. June: 20.4%) were among the other sub-sectors which continued to reach a double-digit growth in July.
- ✓ Overall, this sector contributed 85.1% of the total exports during the month.

SOFTER GROWTH RECORDED IN BOTH AGRICULTURE AND MINING SECTORS

Agriculture Sub-sector, y-o-y%



Mining Sub-sector, y-o-y%



- ✓ As for the Agriculture sector, the expansion was mainly attributable to the softer growth recorded in Natural Rubber which grew by 42.0% in July after rising by 60.8% in the previous month. During the month, this sector constituted 8.7% of the total exports.
- ✓ In the Mining sector, the moderation in growth was mainly contributed by the 6.8% drop in Crude Petroleum exports in July compared to a triple digit growth recorded in the May and June. Crude Petroleum is a significant component to the mining sector, contributing 32.6% of exports to the sector.
- ✓ As for imports, it grew softer by 24.0% in July (June: 32.1%), contributed by a slower growth in Consumption Goods (July: 1.3% vs. June: 19.3%). However, both Capital Goods (July: 25.6% vs. June: 14.9%) and Intermediate Goods (July: 42.7% vs. June: 25.3%) saw an expansion in growth during July. Hence, the trade surplus narrowed to RM13.7 billion as compared to RM22.2 billion in the previous month.
- ✓ Cumulatively, both exports and imports rebounded by 25.9% (7M2020: -6.0%) and 21.6% (7M2020: -6.6%), respectively in 7M2021.
- ✓ As such, trade surplus widened to RM128.7 billion during 7M2021 (7M2020: RM86.5 billion).

EXTERNAL TRADE PERFORMANCE

Y-o-Y%	Jan-21	Feb-21	Mar-21	Apr-21	May-21	Jun-21	Jul-21	7M2020	7M2021
Exports	6.3%	17.4%	30.9%	62.7%	47.0%	27.2%	5.0%	-6.0%	25.9%
Imports	1.1%	12.1%	17.5%	22.9%	48.4%	32.1%	24.0%	-6.6%	21.6%
Trade balance (RM billion)	16.6	17.9	24.2	20.4	13.8	22.2	13.7	86.5	128.7
Export by sector									
Manufacturing	11.7%	20.9%	35.9%	65.4%	45.4%	25.8%	2.3%	-4.2%	27.4%
Electrical & Electronic Products	13.1%	25.5%	48.0%	43.1%	34.3%	14.1%	-12.1%	-5.6%	20.7%
Chemical & Chemical Products	10.6%	20.3%	32.3%	39.4%	42.5%	53.3%	40.3%	-13.7%	33.8%
Machinery, Equipment & Parts	-1.5%	-0.4%	49.7%	172.7%	36.8%	-1.4%	-8.8%	-8.2%	21.8%
Petroleum Products	-32.4%	32.1%	-38.3%	87.8%	75.1%	113.6%	72.7%	-5.8%	34.6%
Manufacture of Metal	19.9%	27.0%	88.4%	180.7%	81.6%	34.0%	19.6%	-15.9%	54.2%
Transport Equipment	4.9%	-8.7%	-55.2%	-19.4%	38.5%	-26.9%	-21.2%	16.6%	-22.8%
Optical & Scientific Equipment	9.9%	-0.2%	30.8%	85.6%	29.2%	7.6%	-9.7%	2.5%	17.0%
Processed Food	9.2%	1.5%	29.5%	33.4%	14.2%	5.5%	1.8%	-1.3%	12.8%
Textiles, Apparels & Footwear	-5.9%	-0.5%	30.4%	102.7%	51.1%	9.2%	-6.7%	-16.8%	17.8%
Iron & Steel Products	3.9%	-20.4%	34.6%	18.3%	35.4%	3.9%	-0.2%	6.6%	9.4%
Manufacture of Plastics	7.5%	-1.1%	29.6%	57.3%	33.0%	18.7%	8.1%	-11.8%	20.2%
Paper & Pulp Products	16.3%	9.5%	21.4%	57.1%	40.6%	20.4%	33.0%	6.1%	27.2%
Rubber Products	187.4%	188.7%	210.6%	207.2%	133.2%	103.5%	13.3%	34.9%	134.5%
Palm Oil-Based Manufactured Products	6.0%	9.8%	42.0%	51.5%	32.8%	71.1%	78.9%	-14.3%	41.3%
Non-Metallic Mineral Products	14.2%	-0.4%	46.5%	116.8%	85.1%	26.9%	20.8%	-7.8%	35.6%
Beverages & Tobacco	-8.2%	-31.6%	48.3%	43.7%	8.6%	-27.0%	-37.6%	-28.4%	-4.1%
Jewellery	-6.5%	-22.3%	90.3%	544.6%	434.0%	140.6%	10.4%	-53.2%	62.1%
Wood Products	2.2%	-3.7%	64.6%	147.2%	53.4%	-29.1%	-45.4%	-3.2%	11.4%
Others Manufactures	8.0%	-7.5%	25.9%	59.8%	22.4%	2.0%	-8.9%	26.9%	11.7%
Agriculture	-7.3%	9.7%	43.8%	66.9%	51.7%	40.0%	29.2%	0.1%	32.7%
Natural Rubber	9.6%	14.5%	43.9%	58.6%	71.3%	60.8%	42.0%	-22.2%	40.2%
Saw log	-62.8%	2.6%	-50.8%	202.9%	-45.1%	85.7%	9.6%	-38.9%	10.3%
Sawn Timber & Mouldings	-15.6%	-25.2%	15.8%	255.0%	57.2%	-47.6%	-36.5%	-31.2%	1.0%
Mining	-31.0%	-7.8%	-24.1%	24.5%	76.0%	32.9%	18.3%	-27.3%	3.7%
Tin	78.2%	50.1%	206.2%	88.5%	59.9%	40.5%	29.8%	-30.4%	72.2%
Crude Petroleum	-31.9%	-24.3%	-27.2%	37.1%	141.0%	109.5%	-6.8%	-32.2%	6.1%
Liquefied Natural Gas	-40.0%	-17.0%	-24.3%	-1.3%	45.2%	12.4%	69.9%	-23.6%	-2.6%
Others	-38.1%	-30.2%	-7.3%	202.0%	17.2%	39.4%	6.3%	-39.9%	4.2%
Import by End-Use									
Capital Goods	-5.4%	38.3%	93.3%	-38.2%	33.9%	14.9%	25.6%	-7.3%	9.7%
Intermediate Goods	1.4%	-0.1%	12.4%	64.4%	52.4%	25.3%	42.7%	-9.3%	25.7%
Consumption Goods	1.3%	17.6%	13.0%	29.9%	37.6%	19.3%	1.3%	-2.2%	16.3%

Sources: DOSM, CEIC

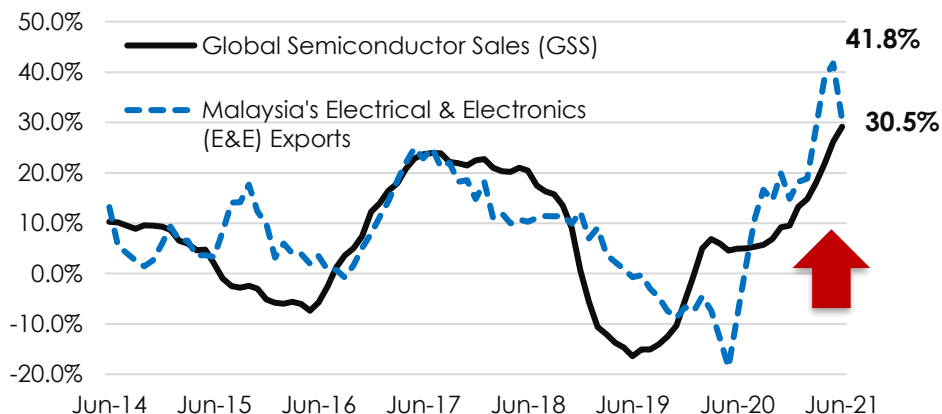
Exports	Jan-21	Feb-21	Mar-21	Apr-21	May-21	Jun-21	Jul-21	7M2020	7M2021
US	-0.5%	-3.8%	13.2%	52.3%	59.5%	40.4%	N.A.	-16.9%	N.A.
China	24.6%	154.7%	30.5%	32.2%	27.8%	32.2%	19.3%	-4.4%	35.2%
Japan	6.4%	-4.5%	16.1%	38.0%	49.6%	48.6%	37.0%	-15.8%	27.3%
Singapore	12.6%	4.2%	11.9%	6.0%	8.6%	15.9%	12.7%	5.6%	10.3%
India	6.4%	-0.5%	61.5%	202.0%	68.1%	48.3%	49.9%	-22.3%	47.2%
Indonesia	12.2%	8.6%	30.8%	52.1%	62.0%	54.4%	29.3%	-6.3%	33.9%
Thailand	0.2%	-2.7%	8.3%	13.1%	41.6%	43.8%	20.3%	-7.6%	16.2%
South Korea	11.4%	9.3%	16.3%	41.2%	45.6%	39.8%	29.6%	-10.7%	26.6%
Taiwan	36.8%	9.7%	27.1%	38.7%	38.6%	35.1%	34.7%	1.4%	31.5%
Malaysia	6.3%	17.4%	30.9%	62.7%	47.0%	27.2%	5.0%	-6.0%	25.9%

Sources: CEIC, Trading Economics

- ✓ In contrast to Malaysia's single digit exports growth of 5.0% in July (June: 27.2%), exports activity in other countries continued to expand at a double-digit pace during the same month as major commodities exporters continue to benefit from a triple whammy of increasing prices, limited global supply and strong demand.
- ✓ For example, India recorded the steepest growth in exports at 49.9% in July (June: 48.3%), which was also the largest expansion seen for the month of July. This signals a rapid economic recovery in key Western markets which has led to a rise in demand for Indian products.
- ✓ On further scrutiny, India's exports in July were mainly propelled by exports of petroleum products which expanded by 231.0% y-o-y (June: 115.4%) followed by gems & jewellery (July: 130.5% vs. June: 80.5%)
- ✓ The comparison in terms of exports growth highlighted above underscores the importance of ensuring that export orders are always fulfilled as clients may cancel their orders and move over to other suppliers that are able to deliver orders.

STRONG GLOBAL DEMAND FOR SEMICONDUCTOR ALBEIT A SLOWDOWN IN MALAYSIA'S E&E EXPORTS

GSS, y-o-y% vs. Malaysia E&E Nominal Exports-3 Months Moving Average (3MMA), %



Sources: Semiconductor Industry Association (SIA), CEIC, Bank Islam

Top 10 Semiconductor Sales Leaders in 2Q2021 (USD Million):

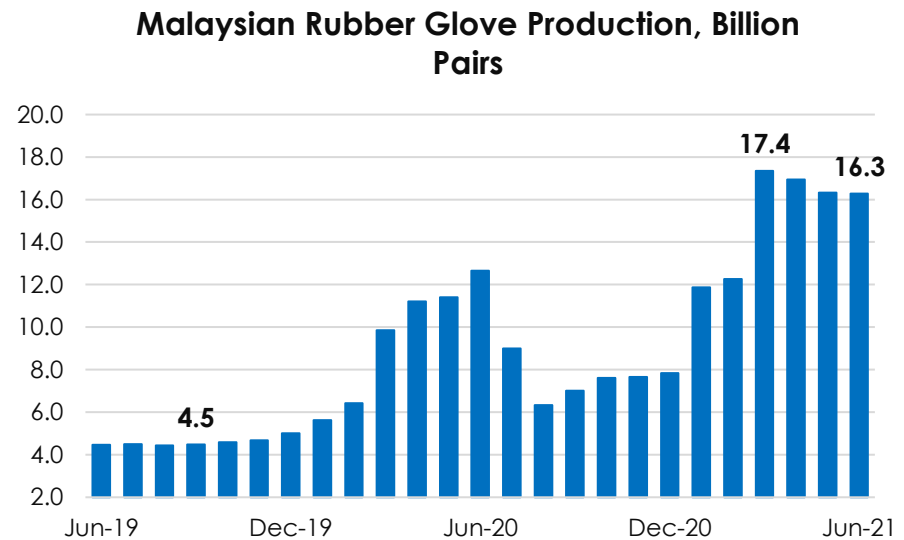
Company	Headquarters	Sales in 2Q2021	Sales in 1Q2021	q-o-q change,%
Samsung	South Korea	20,297	17,072	18.9%
Intel	U.S.	19,304	18,676	3.4%
TSMC (1)	Taiwan	13,315	12,911	3.1%
SK Hynix	South Korea	9,213	7,628	20.8%
Micron	U.S.	7,681	6,629	15.9%
Qualcomm (2)	U.S.	6,472	6,281	3.0%
Nvidia (2)	U.S.	5,540	4,842	14.4%
Broadcom Inc. (2)	U.S.	4,890	4,849	0.8%
MediaTek (2)	Taiwan	4,496	3,849	16.8%
TI	U.S.	4,299	4,028	6.7%
Total		95,507	86,765	10.1%

Source: IC Insights (1) Foundry (2) Fabless

- ✓ Global Semiconductor Sales (GSS) performance continued to record a double-digit growth of 29.2% y-o-y in June, extending the 26.2% gains in the previous month.
- ✓ Thus far, the top 10 semiconductor sales leaders worldwide recorded a 10.1% q-o-q growth sales in 2Q2021, driven by surging demand and rising price for DRAM and flash memory.
- ✓ We believe the robust demand for chips amid ongoing acceleration in digitalisation and proliferation of technologies such as 5G, cloud computing, artificial intelligence, Internet of Things (IoT), as well as robotics would further support the GSS sales this year.
- ✓ Meanwhile, Malaysia's export on E&E products slumped by 12.1% in July after recording a 14.1% growth previously. This was due to restrictions imposed on factories to tackle the rising Covid-19 infections, which has affected full production capacity.
- ✓ Notwithstanding this, the relaxation on movement restrictions under the National Recovery Plan (NRP) is expected to mitigate such bottleneck issues in the coming months.

EMCO: SLOWER PRODUCTION HAS AFFECTED EXPORT SALES FOR RUBBER PRODUCTS

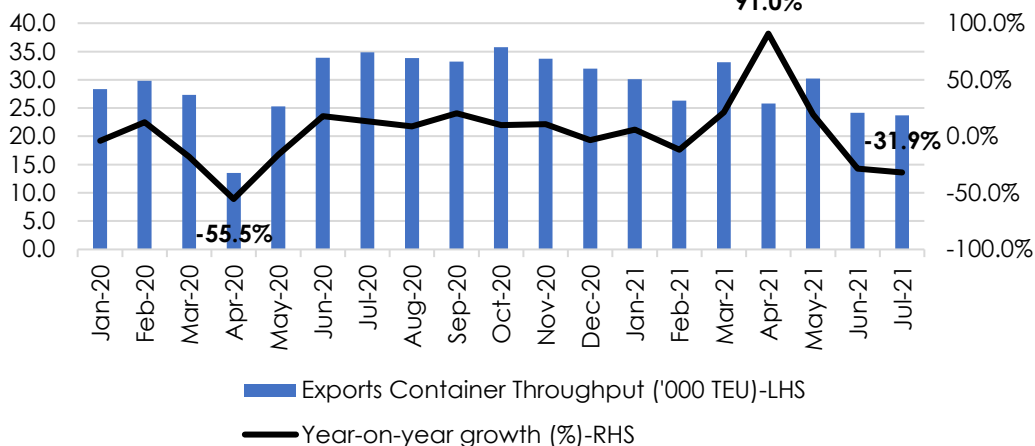
- ✓ Malaysia's exports for rubber products softened by 13.3% in July compared to a triple-digit growth of 103.5% in the previous month.
- ✓ The implementation of the Enhanced Movement Control Order (EMCO) might be a possible reasons for the decline in sales of rubber products as restricted working capacity had limited factory production during July.
- ✓ Moreover, the majority of factories for big rubber glove makers such as Top Glove, Supermax and Hartalega were operating in EMCO-affected areas such as Klang and Sepang.
- ✓ On further scrutiny, Malaysia's rubber glove production dropped by 0.3% month-on-month (m-o-m) in June from a 3.6% fall in the preceding. We anticipate that the trend is likely to continue during July amid an increasing lead time for gloves production.
- ✓ Be that as it may, the demand for rubber gloves is projected to maintain a double-digit growth of between 12.0% and 15.0% in 2021 according to the Malaysian Rubber Council. The reason being is that the threat of the Covid-19 virus remains prevalent with the emergence of new variants, instigating the use of rubber gloves.



SEABORNE TRADE – MALAYSIAN PORTS SEE DECLINE IN EXPORTS CONTAINER THROUGHPUT AMID CONGESTION AT OTHER PORTS

- ✓ The latest data from the Johor Port Authority indicates that the export container throughput at Port of Tanjung Pelepas (PTP) recorded a 31.9% y-o-y decline in July (June 28.7%), handling 23.7 million twenty-foot equivalent units (TEUs) during month compared to 24.2 million TEUs in the preceding month.
- ✓ The drop in export container throughput in July was likely due to port congestion in other parts of the world, particularly the U.S. and certain key ports in Europe amid increased consumer spending on imported goods.
- ✓ For instance, the number of ships backing up outside San Pedro Bay, home to the ports of Los Angeles and Long Beach, the U.S.'s two main gateways, increased towards record levels experienced earlier in the pandemic during the month of July. Anchorage times towards the end of July have also breached the five-day mark, hitting already dire carrier schedule reliability figures.
- ✓ Due to such congestions, the method shipping goods via air freight instead of sea freight is highly preferred especially for perishable goods that cannot remain in transit for a long time.

Monthly Export Container Throughput at Port of Tanjung Pelepas



Source: Johor Port Authority

Port Traffic Congestion at Port of Long Beach during the end of July



Source: Marine Traffic

AIRBORNE TRADE – AIR CARGO VOLUME CONTINUES TO GROW WITH CROSS BORDER E-COMMERCE

Asia Pacific Air Freight Traffic Statistics

Air Freight Metrics	Jul-20	Jun-21	Jul-21	Year-on-year % change	Month-on-month % change	7M2020	7M2021	Year-on-year % change
Freight Tonne Kilometers (million tkm)	4,846.0	5,912.0	6,144.0	26.8%	3.9%	33,636.0	40,320.0	19.9%
Freight Available Tonne Kilometers (million tkm)	6,923.0	8,070.0	8,061.0	16.4%	-0.1%	52,823.0	54,513.0	3.2%
Freight Load Factor (%)	70.0%	73.3%	76.2%	+6.2 pts	+2.9 pts	63.7%	74.0%	+10.3 pts

Source: Association of Asia Pacific Airlines

Note: tkm-tonne-kilometers

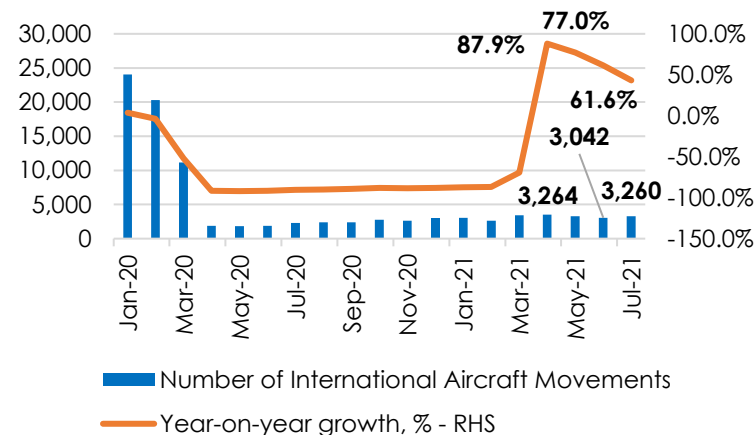
- ✓ With strong external demand and congestion at major shipping ports boosting demand for shipments by air, Asia Pacific airlines recorded a 26.8% y-o-y increase in international air cargo demand as measured in freight tonne-kilometres (FTK) to 6,144 million tkm in July (June: 5,912 million tkm) slightly above the volumes recorded in July 2019 of 6,002 million tkm .
- ✓ The average international freight load factor climbed by 6.2 percentage points to 76.2% for July (June: 73.3%), after accounting for a 16.4% year-on-year increase in offered freight capacity in the same month (June: 11.7% y-o-y).
- ✓ Similarly, the international aircraft movements at Kuala Lumpur International Airport (KLIA) increased by 43.2% y-o-y in July (June: 61.6%) to 3,260 aircrafts. With many countries still grappling with the highly infectious Delta variant, it is likely that the majority of international aircraft movements at KLIA is contributed by the air freight.
- ✓ Cross border e-commerce has become more prevalent with many people remaining cautious due to the virus, warranting the use of air freight to ship goods via air freight, ensuring that the goods arrive in a timely manner while maintaining customer loyalty.

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 Aircraft Movements at Kuala Lumpur International Airport



Source: Malaysia Airports Holdings Berhad

- ✓ Looking ahead, we expect external trade to face some headwinds coming from the closure of the Ningbo-Zhoushan port, China's third busiest cargo port on 11 August after one of its workers was infected with Covid-19. However, the port has resumed operations on 25 August, easing global supply chain bottlenecks.
- ✓ In the medium term, production activities in Malaysia are expected to gradually improve as the restrictions on working capacity for the manufacturing sector have been relaxed effective from 16 August 2021. Manufacturing activities, including non-essential sectors may operate according to the vaccination rate of the respective workers belonging to a factory. For example, a factory that has 80.0% to 100.0% of its workers fully vaccinated are allowed to operate at 100.0% working capacity. More importantly, this relaxation is applicable to states under Phase 1, 2 and 3 of the NRP.
- ✓ In relation to the Public-Private Partnership Covid-19 Industry Immunisation Programme (PIKAS) that involves the vaccination of industry workers, the progress has been commendable. As at 26 August 2021, 600,799 or 80.6% of manufacturing sector workers registered under PIKAS have been fully vaccinated.
- ✓ Taking into account the rapid vaccination efforts for manufacturing sector workers and the increased working capacity for factories based on workers' vaccination rates, we opine that the manufacturing sector will be able to ramp up production and subsequently fulfill export orders.
- ✓ All in all, **we reiterate our exports growth forecast of 13.8% for 2021 after the 1.4% contraction in 2020** as the low base effect from last year starts to dissipate in 2H2021. Nevertheless, China's handling of the latest outbreak to the point that daily Covid-19 cases have been declining will support Malaysia's external demand. A major downside risk to our forecast is the highly transmissible Delta variant which could reduce the efficacy of current vaccines in the market.

Working Capacity Allowed For Manufacturing Industry For States Under Phase 1,2 And 3 Of The NRP

Rate of Fully Vaccinated Workers	Working Capacity Allowed
80.0% to 100.0%	100.0%
60.0% to 79.0%	80.0%
40.0% to 59.0%	60.0%

Source: Prime Minister's Office

Public-Private Partnership Covid-19 Industry Immunisation Programme (PIKAS) Statistics As At 26 August 2021

Number of workers vaccinated with first dose under PIKAS	890,013
Number of workers fully vaccinated under PIKAS	600,799
% of workers vaccinated with first dose under PIKAS	95.9%
% of workers fully vaccinated under PIKAS	80.6%

Source: Ministry of International Trade And Industry (MITI)

Produced and issued by BANK ISLAM MALAYSIA BERHAD (Bank Islam) for private circulation only or for distribution under circumstances permitted by applicable laws. All information, opinions and estimates contained herein have been compiled or arrived at based on sources and assumptions believed to be reliable and in good faith at the time of issue of this document. This document is for information purposes only and has no regard to the specific investment objectives, financial situation or particular needs of any specific recipient. No representation or warranty, expressed or implied is made as to its adequacy, accuracy, completeness or correctness. All opinions and the content of this document are subject to change without notice and may differ or be contrary to opinions expressed by other business areas or groups of Bank Islam as a result of using different assumptions and criteria. No part of this document may be used, reproduced, distributed or published in any form or for any purpose without Bank Islam's prior written permission.

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.

BANK ISLAM

Assuring Trust. Delivering Value.

Thank You