



From the Desk
of the
Chief Economist

BANK ISLAM

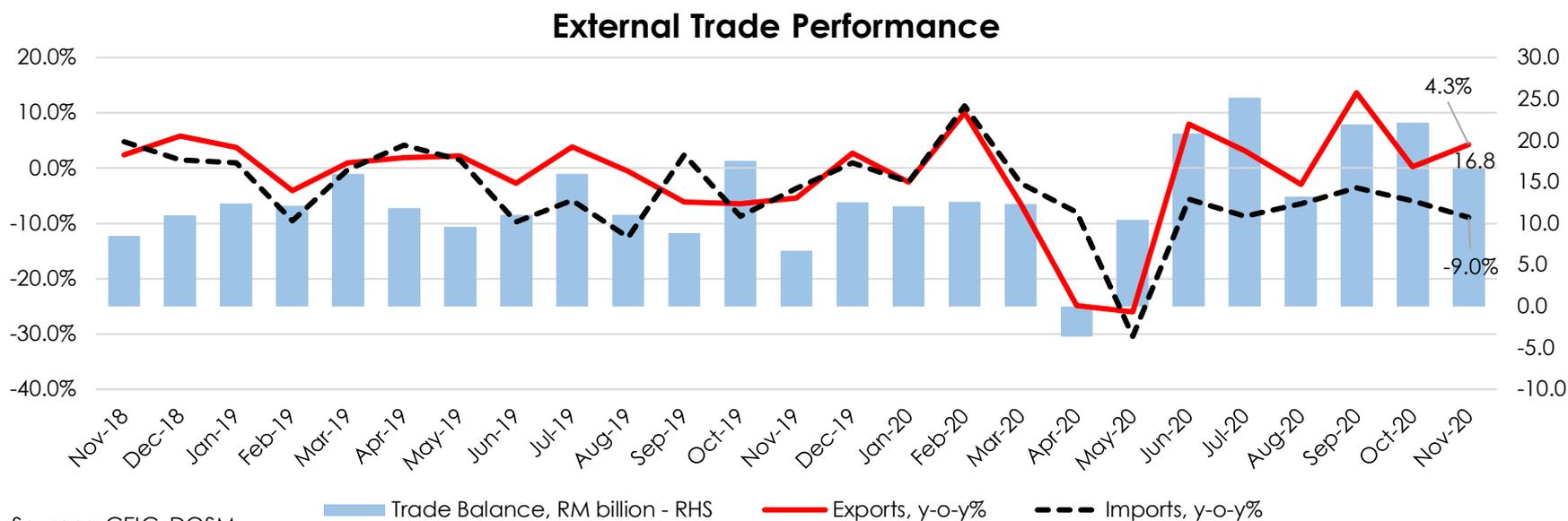
EXPORTS GAINED BY 4.3% IN NOVEMBER 2020

29 DECEMBER 2020

ECONOMIC RESEARCH

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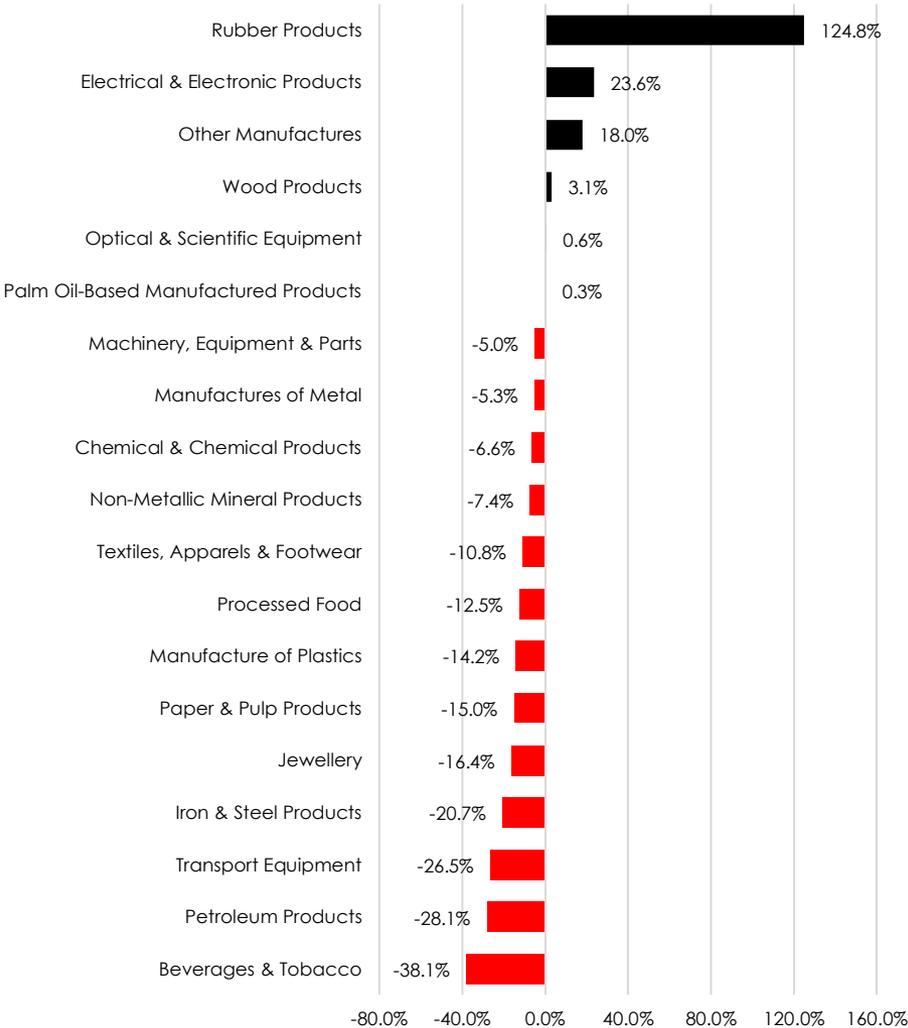
Malaysia's exports were higher by 4.3% year-on-year (y-o-y) compared to a growth of 0.2% recorded previously (Consensus: 3.1%, Bank Islam: 0.8%).
- 2

The expansion was largely propelled by the increase in exports of the Manufacturing sector (November: 8.1% vs. October: 2.5%) which formed a sizeable share of 88.1% of total exports.
- 3

However, exports of Mining continued to decline by 34.6% in November (October: -47.2%) though at a slower pace while exports of Agriculture softened by 6.0% after registering a double-digit growth of 28.7% in October.

MANUFACTURING SECTOR WAS THE ANCHOR OF GROWTH

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



Sources: CEIC, DOSM

4

Exports of rubber products continued to increase steeply by 124.8% in November (October: 127.3%), marking a thirteenth month of growth amid prolonged Covid-19 pandemic which led to the strong demand for rubber gloves.

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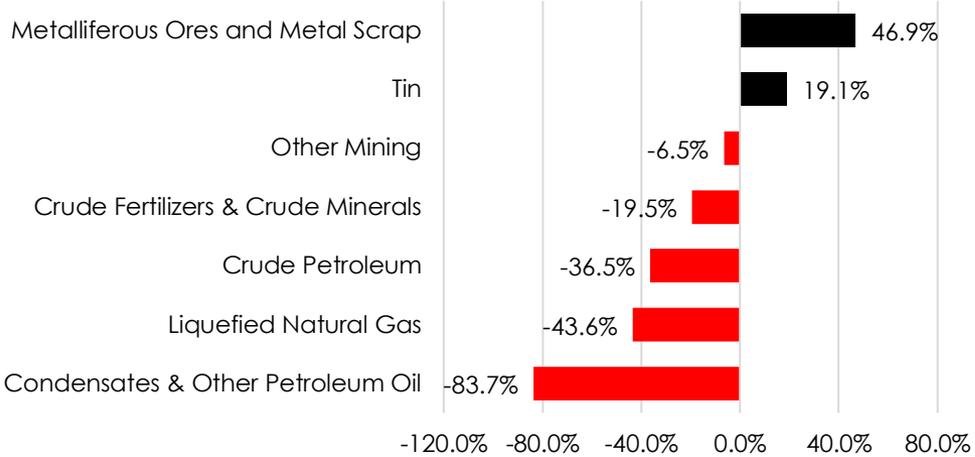
In addition, electrical & electronic (E&E) products grew significantly by 23.6% in November after rising by 3.0% in the preceding month.

6

On the contrary, exports of beverages & tobacco (November: -38.1% vs. October: -23.3%), petroleum products (November: -28.1% vs. October: -25.6%) and transport equipment (November: -26.5% vs. October: -14.6%) deepened further during November.

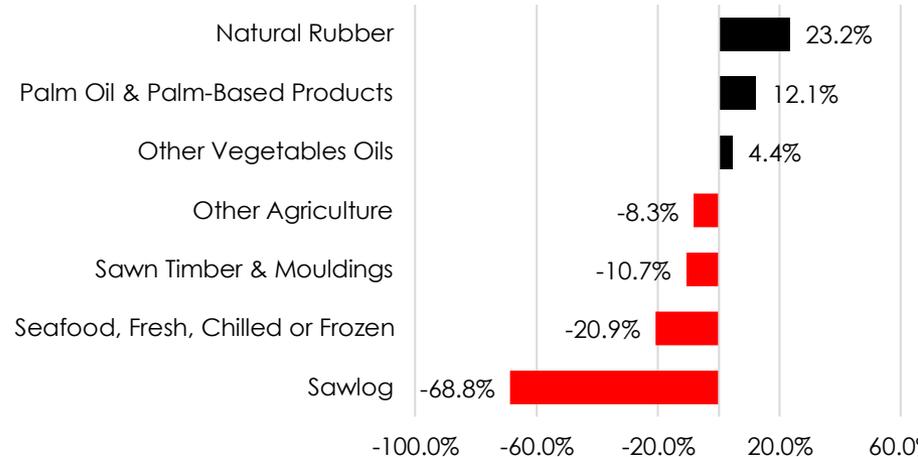
MINING SECTOR SLUMPED IN NOVEMBER

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



Sources: CEIC, DOSM

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



Source: CEIC, DOSM

7

The contraction in Mining sector was heavily weighed by exports of condensates & other petroleum oil (November: -83.7% vs. October: -95.1%), liquefied natural gas (November: -43.6% vs. October: -57.7%), crude petroleum (November: -36.5% vs. October: -44.8%), as well as crude fertilizers & crude minerals (November: -19.5% vs. October: 1.0%).

8

As for Agriculture, exports of palm oil & palm-based products moderated by 12.1% in November from a 46.5% increase in October while natural rubber rose by 23.2% in November compared to 2.8% previously.

IMPORTS FELL FURTHER

9

On imports, it dropped further by 9.0% in November after falling by 6.0% in October (Consensus: -6.2%, Bank Islam: -5.7%). This was due to the decline in imports of capital goods (November: -26.5% vs. October: -14.9%), consumption goods (November: -7.2% vs. October: 3.1%), dual use goods (November: -50.0% vs. October: -9.0%) and intermediate goods (November: -10.6% vs. October: -6.0%) during November.

10

Consequently, the trade balance widened to RM16.8 billion in November from RM6.7 billion during the same month last year.

11

On a cumulative basis, the exports and imports recorded a negative growth of 2.6% (11M2019: -1.2%) and 7.0% (11M2019: -3.9%) respectively during 11M2020. On the other hand, the trade balance increased from RM133.1 billion in 11M2019 to RM163.9 billion in 11M2020.

EXPORTS PERFORMANCE, Y-O-Y%

| Sector and Sub-Sector | Value RM Million (FOB) | | | Share (%) | Annual Change (%) | | Value RM Million (FOB) | | |
|--|------------------------|---------------|-----------------|-------------|----------------------|---------------|------------------------|------------------|-------------|
| | Nov 2019 | Oct 2020 | Nov 2020 | | Val RM Million (FOB) | % | Jan-Nov 2019 | Jan-Nov 2020 | Share (%) |
| MANUFACTURING | 68,755 | 79,937 | 74,341.0 | 88.1 | 5,585.9 | 8.1 | 767,663 | 765,627.1 | 86.5 |
| Electrical & Electronic Products (E&E) | 27,596 | 38,628 | 34,099 | 45.9 | 6,503.3 | 23.6 | 342,068 | 349,449 | 45.6 |
| Petroleum Products | 6,258 | 4,333 | 4,498 | 6.1 | (1,760.8) | (28.1) | 64,513 | 56,377 | 7.4 |
| Chemical And Chemical Products | 4,777 | 4,159 | 4,461 | 6.0 | (315.8) | (6.6) | 52,521 | 45,688 | 6.0 |
| Rubber Products | 2,283 | 5,220 | 5,134 | 6.9 | 2,850.4 | 124.8 | 23,455 | 38,227 | 5.0 |
| Optical & Scientific Equipment | 3,585 | 3,914 | 3,606 | 4.9 | 21.7 | 0.6 | 36,271 | 37,746 | 4.9 |
| Machinery, Equipment And Parts | 3,525 | 3,551 | 3,347 | 4.5 | (178.0) | (5.0) | 37,968 | 35,649 | 4.7 |
| Manufacture Of Metal | 3,450 | 3,149 | 3,268 | 4.4 | (181.8) | (5.3) | 38,325 | 32,537 | 4.2 |
| Iron And Steel Products | 2,435 | 1,868 | 1,931 | 2.6 | (503.9) | (20.7) | 19,943 | 21,457 | 2.8 |
| Processed Food | 2,023 | 1,968 | 1,771 | 2.4 | (252.0) | (12.5) | 19,819 | 19,243 | 2.5 |
| Palm Oil-Based Manufactured Products | 1,829 | 1,666 | 1,835 | 2.5 | 5.4 | 0.3 | 21,487 | 18,953 | 2.5 |
| Transport Equipment | 1,656 | 1,557 | 1,217 | 1.6 | (439.6) | (26.5) | 17,207 | 17,118 | 2.2 |
| Wood Products | 1,473 | 1,605 | 1,519 | 2.0 | 46.0 | 3.1 | 14,310 | 14,430 | 1.9 |
| Textiles, Apparels And Footwear | 1,393 | 1,348 | 1,242 | 1.7 | (150.9) | (10.8) | 14,176 | 12,515 | 1.6 |
| Manufacture Of Plastics | 1,283 | 1,178 | 1,101 | 1.5 | (182.0) | (14.2) | 13,743 | 11,887 | 1.6 |
| Non-Metallic Mineral Products | 876 | 784 | 811 | 1.1 | (64.7) | (7.4) | 8,193 | 7,376 | 1.0 |
| Paper & Pulp Products | 593 | 553 | 504 | 0.7 | (89.2) | (15.0) | 5,835 | 5,747 | 0.8 |
| Jewellery | 582 | 475 | 486 | 0.7 | (95.3) | (16.4) | 6,401 | 3,634 | 0.5 |
| Beverages & Tobacco | 342 | 224 | 212 | 0.3 | (130.4) | (38.1) | 3,182 | 2,292 | 0.3 |
| Other Manufactures | 2,796 | 3,755 | 3,300 | 4.4 | 503.3 | 18.0 | 28,246 | 35,303 | 4.6 |
| AGRICULTURE | 5,329 | 7,169 | 5,648 | 6.7 | 319.6 | 6.0 | 60,282 | 63,324 | 7.2 |
| Palm Oil and Palm-Based Products | 3,575 | 5,465 | 4,009 | 71.0 | 433.6 | 12.1 | 40,305 | 45,819 | 72.4 |
| Natural Rubber | 272 | 308 | 336 | 5.9 | 63.3 | 23.2 | 3,479 | 2,910 | 4.6 |
| Sawn Timber & Moulding | 300 | 281 | 268 | 4.7 | (32.1) | (10.7) | 3,934 | 2,811 | 4.4 |
| Other Vegetables Oil | 212 | 267 | 221 | 3.9 | 9.3 | 4.4 | 2,592 | 2,582 | 4.1 |
| Seafood, fresh, chilled or frozen | 246 | 210 | 195 | 3.4 | (51.5) | (20.9) | 2,082 | 2,098 | 3.3 |
| Sawlog | 71 | 27 | 22 | 0.4 | (48.6) | (68.8) | 709 | 439 | 0.7 |
| Other Agriculture | 652 | 611 | 598 | 10.6 | (54.4) | (8.3) | 7,180 | 6,666 | 10.5 |
| MINING | 6,339 | 3,583 | 4,149 | 4.9 | (2,190.1) | (34.6) | 74,242 | 52,210 | 5.9 |
| Liquefied Natural Gas (LNG) | 3,296 | 1,536 | 1,860 | 44.8 | (1,435.9) | (43.6) | 38,796 | 26,027 | 49.9 |
| Crude Petroleum | 2,195 | 1,035 | 1,394 | 33.6 | (801.0) | (36.5) | 23,852 | 17,269 | 33.1 |
| Metalliferous Ores and Metal Scrap | 413 | 706 | 607 | 14.6 | 193.7 | 46.9 | 6,307 | 5,681 | 10.9 |
| Tin | 122 | 147 | 145 | 3.5 | 23.2 | 19.1 | 1,625 | 1,299 | 2.5 |
| Crude Fertilizers And Crude Minerals | 142 | 139 | 114 | 2.8 | (27.7) | (19.5) | 1,228 | 1,153 | 2.2 |
| Condensates and other petroleum oil | 170 | 19 | 28 | 0.7 | (142.3) | (83.7) | 2,407 | 765 | 1.5 |
| Other Mining | 1 | 0 | 1 | 0.0 | (0.1) | (6.5) | 28 | 15 | 0.0 |
| Others | 525 | 364 | 292 | 0.3 | (232.5) | (44.3) | 6,450 | 3,854 | 0.4 |

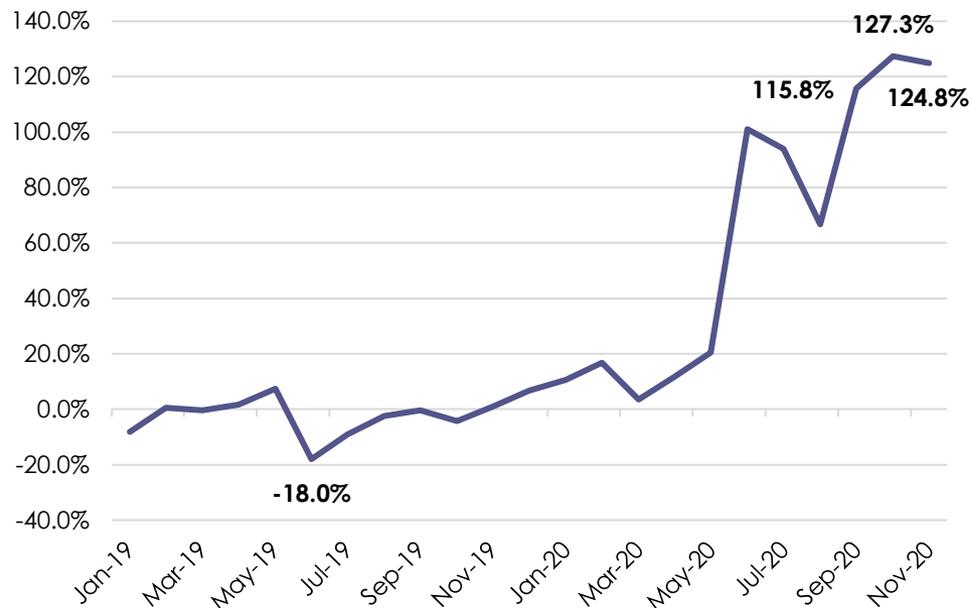
| End Use | Value RM Million (CIF) | | | Share (%) | Annual Change (%) | | Value RM Million (CIF) | | |
|---|------------------------|---------------|---------------|-------------|----------------------|---------------|------------------------|----------------|-------------|
| | Nov 2019 | Oct 2020 | Nov 2020 | | Val RM Million (CIF) | % | Jan-Nov 2019 | Jan-Nov 2020 | Share (%) |
| Capital Goods | 9,775 | 7,217 | 7,189 | 10.6 | (2,586.9) | (26.5) | 91,574 | 81,955 | 11.4 |
| Capital good (except transport equipment) | 8,689 | 6,615 | 6,849 | 10.1 | (1,840.3) | (21.2) | 83,825 | 83,031 | 11.5 |
| Transport equipment, industrial | 1,086 | 602 | 340 | 0.5 | (746.6) | (68.7) | 7,749 | (1,076) | (0.1) |
| Consumption Goods | 6,759 | 6,322 | 6,273 | 9.3 | (486.3) | (7.2) | 67,336 | 66,863 | 9.3 |
| Durables | 917 | 909 | 896 | 1.3 | (20.7) | (2.3) | 8,773 | 8,636 | 1.2 |
| Food & beverages, primary, mainly for household consumption | 913 | 873 | 885 | 1.3 | (27.4) | (3.0) | 9,180 | 9,901 | 1.4 |
| Food & beverages, process, mainly for household consumption | 1,878 | 1,804 | 1,825 | 2.7 | (52.8) | (2.8) | 18,701 | 19,638 | 2.7 |
| Non-durables | 1,709 | 1,655 | 1,465 | 2.2 | (243.5) | (14.2) | 17,467 | 16,591 | 2.3 |
| Semi-durables | 1,262 | 972 | 1,093 | 1.6 | (169.0) | (13.4) | 12,284 | 11,212 | 1.6 |
| Transport equipment, non-industrial | 80 | 108 | 107 | 0.2 | 27.1 | 33.8 | 931 | 885 | 0.1 |
| Dual Use Goods | 3,372 | 2,078 | 1,685 | 2.5 | (1,686.2) | (50.0) | 30,668 | 15,588 | 2.2 |
| Fuel & lubricants, processed motor spirit | 2,942 | 1,591 | 1,189 | 1.8 | (1,752.4) | (59.6) | 22,671 | 11,806 | 1.6 |
| Transport equipment, passenger motor cars | 430 | 487 | 496 | 0.7 | 66.2 | 15.4 | 7,996 | 3,782 | 0.5 |
| Goods n.e.s. | 162 | 249 | 282 | 0.4 | 119.5 | 73.7 | 1,404 | 2,295 | 0.3 |
| Intermediate Goods | 41,004 | 35,281 | 36,639 | 54.2 | (4,364.9) | (10.6) | 425,285 | 383,062 | 53.1 |
| Food & beverages, primary, mainly for industries | 474 | 579 | 652 | 1.0 | 177.8 | 37.5 | 6,570 | 7,463 | 1.0 |
| Food & beverages, processed, mainly for industries | 863 | 881 | 1,388 | 2.1 | 524.4 | 60.7 | 9,762 | 10,757 | 1.5 |
| Fuel & lubricants, primary | 1,768 | 1,970 | 1,362 | 2.0 | (406.4) | (23.0) | 34,556 | 24,298 | 3.4 |
| Fuel & lubricants, processed, other | 1,617 | 1,503 | 1,335 | 2.0 | (282.9) | (17.5) | 17,640 | 16,869 | 2.3 |
| Industrial supplies, n.e.s. primary | 3,092 | 3,132 | 2,894 | 4.3 | (198.0) | (6.4) | 26,936 | 27,912 | 3.9 |
| Industrial supplies, n.e.s. processed | 16,463 | 14,763 | 15,132 | 22.4 | (1,331.6) | (8.1) | 174,164 | 150,617 | 20.9 |
| Parts and accessories of capital goods (except transport equipment) | 13,870 | 9,969 | 11,382 | 16.8 | (2,487.3) | (17.9) | 126,085 | 123,342 | 17.1 |
| Parts and accessories of transport equipment | 2,856 | 2,483 | 2,495 | 3.7 | (361.0) | (12.6) | 29,571 | 21,804 | 3.0 |

Source: DOSM

MANUFACTURING EXPORTS-RUBBER PRODUCTS

- ✓ The exports of rubber products have been growing at a pace of more than 100.0% y-o-y for the past three months with the latest growth in November standing at 124.8% (October: 127.3%) due to higher demand for medical equipment and rising hygiene awareness globally amid the Covid-19 pandemic crisis.
- ✓ At the same time, we opine that the production of rubber gloves may have grown in November 2020 amid the resurgence of Covid-19 infections worldwide. Despite the closure of some factories of rubber glove makers namely Top Glove as Covid-19 cases were found amongst its workers, other rubber glove makers and even the smaller players can help to fill in the production gap.
- ✓ Therefore, we expect production of rubber gloves to increase further in December following the new Covid-19 strain found in the UK which is said to be strongly contagious.

Exports of Rubber Products, y-o-y (%)

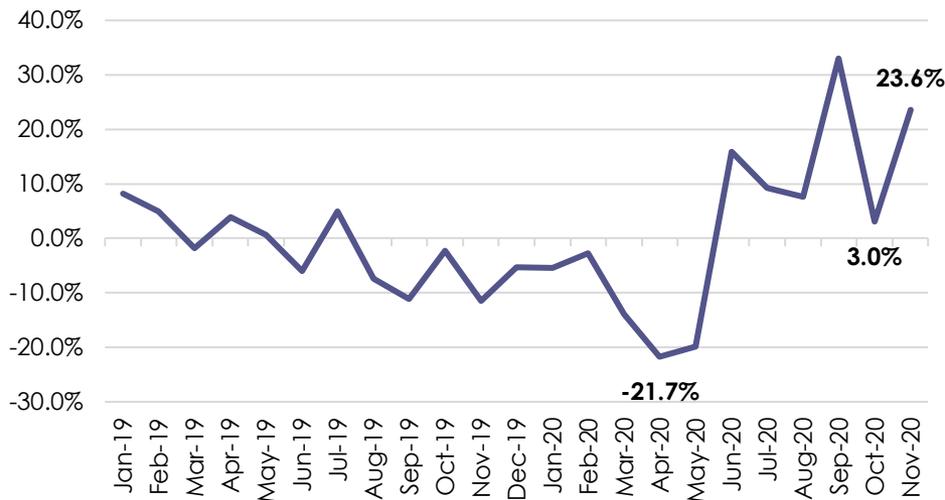


Production of Rubber Gloves (thousand pairs)



- ✓ Exports of electrical & electronic (E&E) products marked its sixth consecutive month of y-o-y growth after expanding by 23.6% in November (October: 3.0%).
- ✓ The growth in E&E exports was driven by the ongoing surge in personal computers (PC) demand amid the current work from home arrangements implemented by many corporations combined with remote education needs.
- ✓ According to a new International Data Corporation (IDC) forecast, shipments of desktop and notebook PCs will grow by 18.2% y-o-y in 4Q2020 boosted by the holiday spending season, followed by a 1.4% growth in 2021.
- ✓ Overall, the semiconductor products are likely to grow higher by 8.4% next year from an estimated 5.1% this year, 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).

Malaysia's E&E Exports Growth, y-o-y%



Sources: CEIC, DOSM

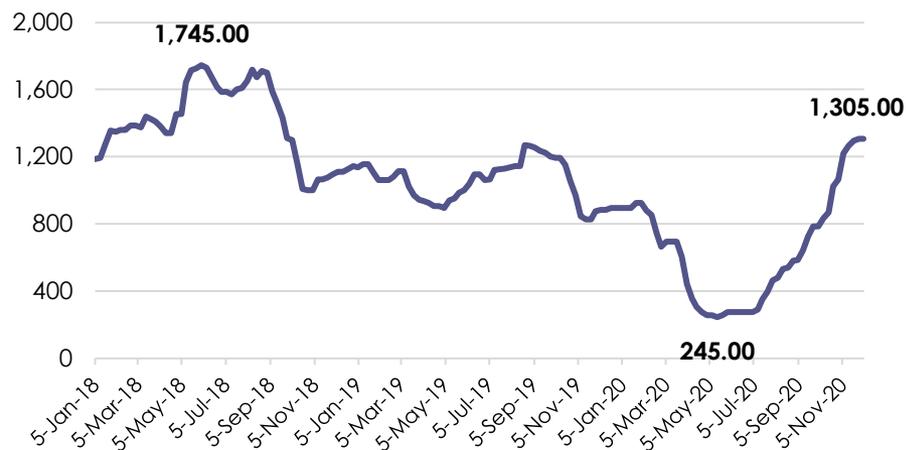
Forecast of World Semiconductor Trade Statistics

| | 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: WSTS

AGRICULTURAL EXPORTS-NATURAL RUBBER

**Southeast Asia Butadiene Weekly Spot Price
(USD per metric tonne)**



**Butadiene Premium to Natural Rubber
(USD per metric tonne)**



Source: Bloomberg

- ✓ As highlighted earlier, exports of natural rubber rose the most by 23.2% in November under the agriculture sector.
- ✓ A possible explanation for this could be costs of butadiene, a key chemical compound for nitrile rubber gloves (synthetic) which rose by as much as 432.7% to USD1,305.00 per metric tonne on 4 December 2020 since the trough of USD245.00 per metric tonne on 15 May 2020.
- ✓ This is further indicated by the butadiene premium to natural rubber which has hit USD334.11 per metric tonne on 11 December 2020 from USD71.66 per metric tonne on 29 October 2020.
- ✓ Recall that 60.0% of rubber glove production by local rubber glove makers is focused on nitrile gloves. Therefore, higher butadiene costs will undoubtedly impact the cost of goods sold of nitrile-centric glove makers and potentially erode their margins if no cost pass-through to customers can be done.
- ✓ Henceforth, rubber glove makers worldwide may have started to switch to natural rubber gloves instead of nitrile rubber gloves in order to control their costs of production.

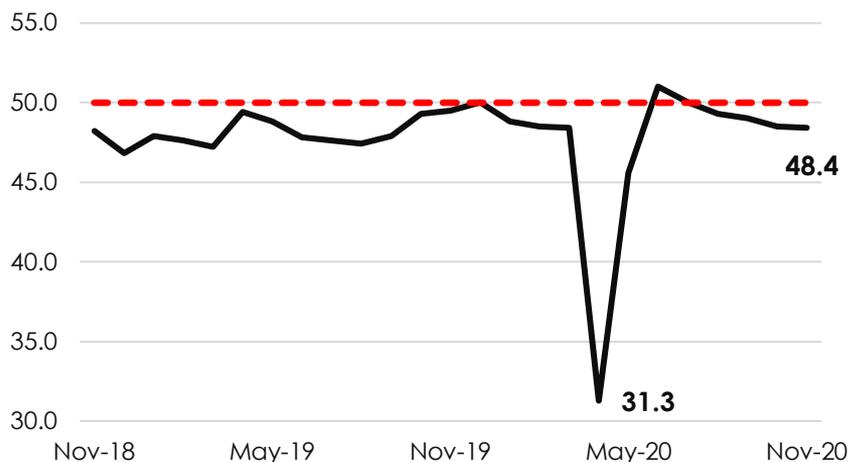
- ✓ Malaysia's expansion in exports growth for the month of November 2020 was in line with some of its Asian peers.
- ✓ For instance, countries such as China, Indonesia, South Korea, and Taiwan all saw positive exports growth in November supported by strong overseas demand for personal protective equipment (PPE) and electronics products for working from home, as well as seasonal Christmas demand.
- ✓ Meanwhile, Singapore Non-Oil Domestic exports (NODX) declined by 4.9% in November from a 3.1% drop previously, marking the second monthly drop. The drop was mainly driven by non-electronic shipments which fell 5.2% in November (October: -4.0%) and electronic shipments which slid by 3.8% in November (October: -0.5%).
- ✓ On a cumulative basis, Malaysia which has seen a 2.6% decline in exports during 11M2020 (11M2019: -1.2%) still fares better in comparison with its ASEAN peers namely, Thailand and Indonesia which recorded a decrease in exports at a tune of more than 3.5% during the same period.

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 | 11M 2019 | 11M 2020 |
|-------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|----------|----------|
| US | -1.3 | -0.4 | -9.0 | -29.4 | -35.0 | -23.7 | -15.6 | -13.1 | -9.5 | -7.3 | n/a | -1.5 | -14.4 |
| China | n/a | n/a | -6.6 | 3.4 | -3.2 | 0.5 | 7.2 | 9.5 | 9.9 | 11.4 | 21.1 | 4.6 | 5.9 |
| Japan | -2.6 | -1.0 | -11.7 | -21.9 | -28.3 | -26.2 | -19.2 | -14.8 | -4.9 | -0.2 | -4.2 | -5.5 | -12.3 |
| Singapore | -3.3 | 3.1 | 16.6 | 9.7 | -4.6 | 13.9 | 5.9 | 7.7 | 5.8 | -3.1 | -4.9 | -9.8 | 4.3 |
| India | -1.7 | 2.9 | -34.6 | -60.3 | -36.5 | -12.4 | -10.2 | -12.7 | 6.0 | -5.1 | -8.7 | 0.0 | -15.8 |
| Indonesia | -2.8 | 10.0 | -2.6 | -6.9 | -29.1 | 2.1 | -10.1 | -8.2 | -0.9 | -3.5 | 9.5 | -7.5 | -3.9 |
| Thailand | 3.4 | -3.9 | 3.8 | 2.1 | -22.5 | -23.1 | -11.3 | -7.8 | -4.2 | -6.7 | -3.7 | -2.5 | -6.7 |
| South Korea | -6.6 | 3.6 | -1.7 | -25.6 | -23.8 | -10.8 | -7.1 | -10.2 | 7.3 | -3.8 | 4.1 | -10.7 | -6.8 |
| Taiwan | -7.6 | 24.9 | -0.7 | -1.3 | -2.0 | -3.8 | 0.3 | 8.3 | 9.3 | 11.2 | 12.0 | -2.0 | 4.6 |
| Malaysia | -2.6 | 10.0 | -6.5 | -24.9 | -26.0 | 8.0 | 3.1 | -2.9 | 13.6 | 0.2 | 4.3 | -1.2 | -2.6 |

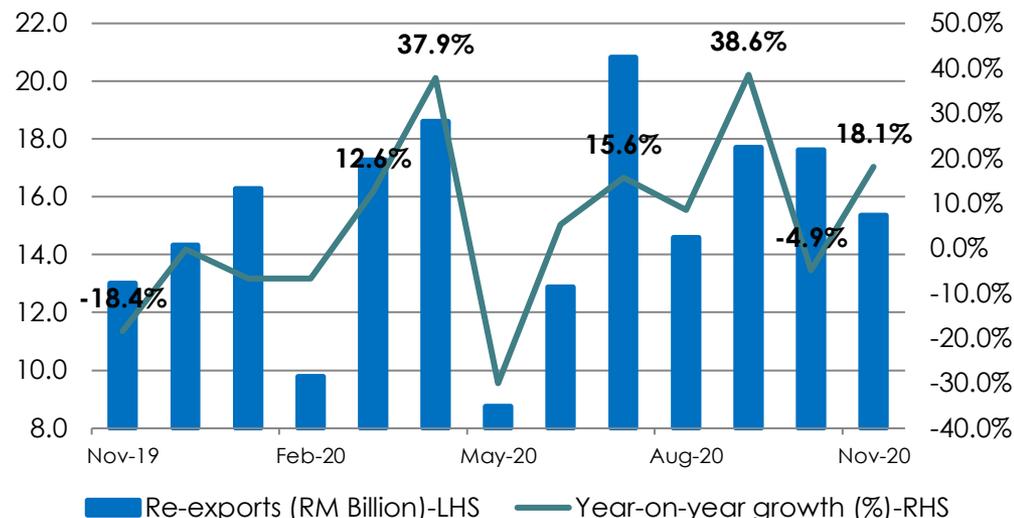
- ✓ The performance in the external trading activities in November 2020 was commendable notwithstanding the decline in Malaysia's Manufacturing Purchasing Manager's Index (PMI) which dropped to 48.4 points in November from 48.5 points in the previous month. In fact, this marked the fourth consecutive month of the index remaining below the expansionary level of 50.0 points.
- ✓ What could have partially supported external trading activities despite the slump in manufacturing activities was re-exporting activities. It is worthwhile to note that Malaysia's re-exports were valued at RM15.4 billion in November 2020, registering an increase of 18.1% y-o-y (October 2020: -4.9%) and accounted for 18.4% of total exports. Re-exports have experienced a yearly double-digit growth in 5 out of 11 months so far in 2020. Looking ahead, re-exporting activities are expected to remain strong in the long run especially if trade relations between the US and China do not improve under a Biden presidency. As for the immediate term, Semiconductor Manufacturing International Co. and DJI, two of China's top tech companies, have been added to a US export control blacklist.
- ✓ Consequently, trade diversion from China to ASEAN including Malaysia will continue to occur because Chinese companies may relocate some of their distribution hubs in ASEAN in order to circumvent the trade hurdles imposed by the US.

Manufacturing Purchasing Manager's Index (PMI), points



Source: Bloomberg
ECONOMIC RESEARCH

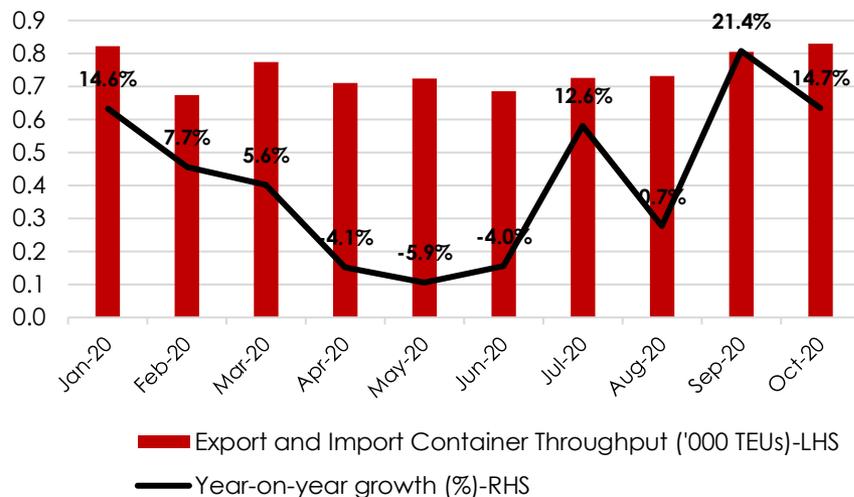
Malaysia's Re-Exports



Source: CEIC

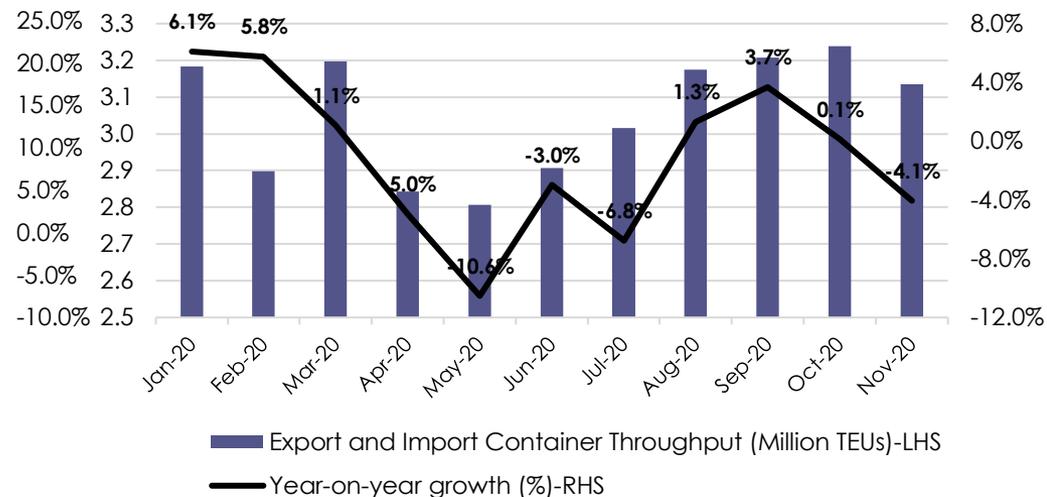
- ✓ From an industrial point of view, ports in countries such as Singapore have seen their container throughput decline by 4.1% y-o-y in November (October: 0.1%), in line with the 4.9% drop in non-oil domestic exports during the same month.
- ✓ Meanwhile, ports in Malaysia such as Port of Tanjung Pelepas (PTP) saw a 14.7% increase in its export and import container throughput in October 2020 according to data from the Johor Port Authority. Considering the 4.3% increase in Malaysia's November exports, container throughput of PTP is likely to grow for the month of November mainly due to frontloading of cargoes ahead of the festive season.
- ✓ As mentioned earlier, Malaysia saw its re-exporting activities jump by 18.1% in November (October: -4.9%) which is also another supporting factor for exports growth and subsequently the increase in container throughput. On the other hand, Singapore only recorded a 2.3% growth in re-exports in November (October: -2.0%). An explanation for this would be the ample availability of distribution hubs in major ports of Malaysia besides PTP such as the Pulau Indah Industrial Park located in the Port Klang Free Zone.

Monthly Export and Import Container Throughput at Port of Tanjung Pelepas



Sources: DOSM
ECONOMIC RESEARCH

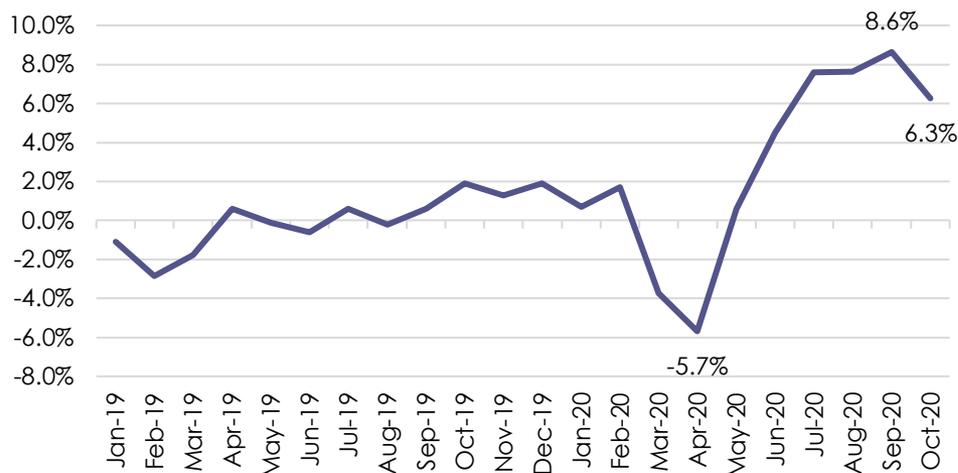
Monthly Container Throughput at Port of Singapore



Sources: Bloomberg

- ✓ All in all, we view November's exports growth as an indicator that business and cross border trading activities are picking up.
- ✓ Malaysia is expected to continue to chart a decent economic recovery based on the smooth growth rate of the Leading Index (LI), which increased by 6.3% to reach 108.7 points in October 2020 compared with 102.3 points in the same month in 2019. The LI is used to predict the economic direction in an average of four to six months ahead.
- ✓ Nevertheless, the latest strain of Covid-19 would be a drag on business sentiment especially if the developed vaccines are no match for the new variant of the virus.
- ✓ The latest series of lockdowns across countries in Europe could somewhat put a lid on the growth of cross border trading activities between Europe and Malaysia. Notwithstanding this, Malaysia's exports to the European Union only account for 8.2% out of Malaysia's total exports to other countries in November.
- ✓ A major issue will arise if other parts of the world especially China and ASEAN, start to record cases from the new variant virus and begin re-imposing lockdowns. Recall that, ASEAN and China make up 30.5% and 16.8% of Malaysia's total exports in November 2020 respectively.
- ✓ Taking all of the prospects mentioned above into consideration, **we are revising our exports growth forecast to -2.5% from -3.1% previously for 2020 (2019: -0.8%).**

Malaysia's Leading Index, y-o-y%



Breakdown of Malaysia's Major Trading Partners in November 2020

| Trading Partner | Share of Malaysia's Export |
|-----------------|----------------------------|
| ASEAN | 30.5% |
| China | 16.8% |
| Singapore | 15.8% |
| US | 11.6% |
| Hong Kong | 7.1% |
| Japan | 6.3% |

THANK YOU

Bank Islam ensures that social and environmental considerations are consistently its top priority governed by the Bank's core values and Shariah principles. More initiatives will be developed by the Bank as the Bank strives to make a positive difference for its financial and social performance.

Assuring Trust. Delivering Value

