

Exports plunged by 23.8% in April – the lowest since September 2009

Facts

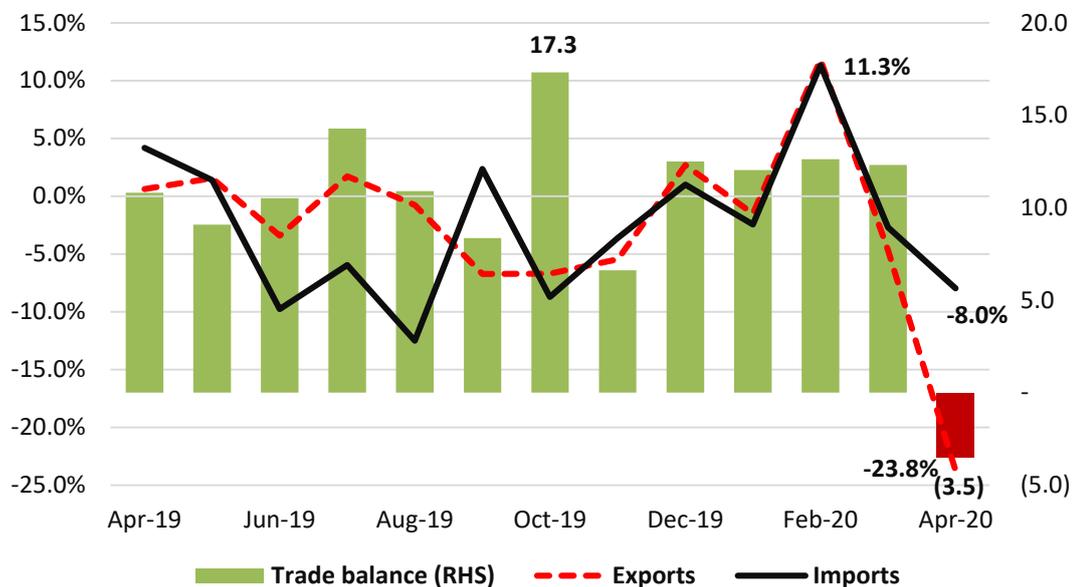
- ✓ Malaysia's exports slumped by 23.8% year-on-year (y-o-y) in April, extending the 4.7% fall in the preceding month (Consensus: -12.8%, Bank Islam: -14.2%). This was mainly attributed by sharp contraction in sales of Electrical & Electronic (E&E) Products (April: -21.7% vs. March: -13.9%), Heating & Cooling Equipment & Parts (April: -68.6% vs. March: -18.8%), Machinery, Appliances & Parts (April: -53.3% vs. March: -17.6%), Optical & Scientific Equipment (April: -34.8% vs. March: -9.1%) during April. These products accounted for 46.1% of total exports.
- ✓ Within E&E components, Electrical Apparatus & Parts (April: -55.3% vs. March: -27.2%), and Telecommunications Equipment, Parts & Accessories (April: -28.4% vs. March: -10.8%) posted the biggest drop in April while Thermionic Valves & Tubes, Photocells fell by 3.8% in April from -3.5% previously.
- ✓ At the same time, Crude Petroleum (April: -33.8% vs. March: -4.2%), Professional, Scientific & Controlling Instruments (April: -31.0% vs. March: -6.9%), Petroleum Products (April: -22.2% vs. March: 44.3%), as well as Liquefied Natural Gas (April: -20.5% vs. March: -13.4%) plummeted in April.
- ✓ Meanwhile, exports for Rubber Gloves continued to record a double-digit growth, increasing by 33.8% in April from 19.8% in the previous month.
- ✓ Exports by destination showed that overseas shipment to European Union (April: -41.6% vs. March: -13.4%), Philippines (April: -41.2% vs. March: 15.0%), Thailand (April: -37.9% vs. March: -37.4%), Vietnam (April: -37.0% vs. March: -31.4%), US (April: -31.1% vs. March: -3.6%), Australia (April: -28.9% vs. March: -2.0%), Japan (April: -28.4% vs. March: -0.5%), and Singapore (April: -16.3% vs. March: 8.6%) nosedived during April.
- ✓ On the same note, total imports shrank by 8.0% in April (March: -2.7%), largely driven by the decline in imports of Intermediate (April: -30.6% vs. March: 2.2%) and Consumption goods (April: -12.0% vs. March: 7.0%). However, imports for Capital goods rebounded sharply by 68.9% in April from negative growth of 48.1% previously. Consequently, Malaysia has registered a trade deficit of RM3.5 billion in April from RM12.3 billion surplus in March, the first deficits since October 1997.
- ✓ Cumulatively, total exports dropped by 5.5% during the first four months of 2020 after decreasing by 0.6% in the same period last year. Similarly, total imports declined by 1.2% in 4M2020 from -0.9% in 4M2019. As such, trade surplus balance narrowed to RM33.5 billion in 4M2020 from RM47.8 billion in 4M2019.

Table 1: External Trade (y-o-y %)

Y-o-Y%	Dec-19	Jan-20	Feb-20	Mar-20	Apr-20	4M2019	4M2020
Export	2.7%	-1.5%	11.8%	-4.7%	-23.8%	-0.6%	-5.5%
Import	1.0%	-2.4%	11.3%	-2.7%	-8.0%	-0.9%	-1.2%
Trade balance (RM billion)	12.5	12.0	12.6	12.3	-3.5	47.8	33.5
Export by product							
Machinery, Appliances and Parts	6.9%	5.7%	23.0%	-17.6%	-53.3%	-4.3%	-12.7%
Electrical & Electronic Products	-5.4%	-5.5%	-2.7%	-13.9%	-21.7%	3.7%	-11.4%
Palm Oil, Includes Crude & Processed	20.9%	1.2%	14.7%	-0.9%	-2.4%	-14.1%	2.8%
Liquefied Natural Gas	-21.3%	-22.8%	7.1%	-13.4%	-20.5%	19.0%	-14.0%
Petroleum Products	34.9%	62.0%	21.7%	44.3%	-22.2%	-6.7%	20.7%
Crude Petroleum	-24.3%	-10.9%	-11.7%	-4.2%	-33.8%	-24.1%	-14.2%
Optical and Scientific Equipment	12.0%	-0.1%	50.9%	-9.1%	-34.8%	6.4%	-3.1%
Professional, Scientific & Controlling Instruments	12.6%	0.2%	56.6%	-6.9%	-31.0%	8.3%	-0.6%
Rubber Gloves	7.4%	12.8%	18.3%	19.8%	33.8%	0.6%	21.4%
Heating and Cooling Equipment and Parts	5.4%	29.7%	36.0%	-18.8%	-68.6%	-11.2%	-11.1%
Export by country							
Singapore	-2.7%	1.1%	22.5%	8.6%	-16.3%	0.6%	2.5%
China	17.8%	-5.6%	11.0%	-6.1%	4.2%	2.8%	0.2%
European Union	-3.8%	-7.3%	-12.7%	-13.4%	-41.6%	-1.7%	-18.5%
United States	15.1%	9.5%	25.5%	-3.6%	-31.1%	0.0%	-1.1%
Japan	-13.9%	-1.6%	3.7%	-0.5%	-28.4%	-5.2%	-6.3%
Thailand	-7.3%	-19.8%	-12.3%	-37.4%	-37.9%	7.4%	-27.7%
Hong Kong	-18.1%	-14.0%	1.0%	-12.6%	-8.2%	-7.8%	-9.3%
Australia	-12.0%	7.8%	-6.8%	-2.0%	-28.9%	-0.8%	-7.4%
Germany	-11.7%	-10.3%	-7.8%	-29.6%	-42.8%	-3.5%	-23.1%
Vietnam	12.2%	-16.7%	14.5%	-31.4%	-37.0%	1.1%	-21.1%
Philippines	1.4%	7.8%	34.3%	15.0%	-41.2%	-1.4%	1.8%
Import by end-use							
Capital	-11.0%	-15.0%	-16.9%	-48.1%	68.9%	-6.2%	-1.0%
Intermediate	6.2%	3.7%	20.4%	2.2%	-30.6%	4.6%	-2.5%
Consumption	3.2%	-1.0%	10.2%	7.0%	-12.0%	5.0%	0.1%

Sources: CEIC, Bank Islam

Chart 1: Exports (y-o-y %), Imports (y-o-y %) & Trade Balance (RM billion)



Sources: CEIC, Bank Islam

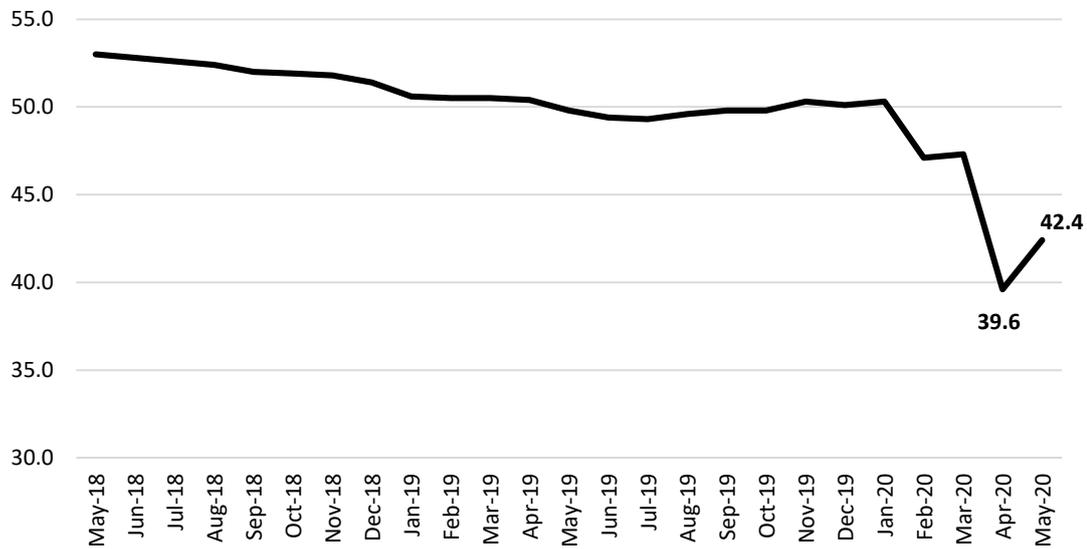
Our View

The decline in exports during April was very sharp and this was very much in tandem with the lockdown and partial lockdown measures which were implemented in full force globally. The demand and supply side shocks happened almost simultaneously as human mobility were severely impaired while businesses were operating at a very minimal rates or even grind to a complete halt. Despite that, we believe the prevailing condition is likely to be transitory as infection curve for Covid-19 pandemic has flattened. Subsequently, the reopening of the economy is happening worldwide although at varying degree. This would mean the normalisation process would occur. As such, exports should pick up its pace in the 3Q2020 onwards, assuming the Covid-19 pandemic remain contained.

There seems to be a slight improvement in business sentiments during May. The J.P. Morgan Global Manufacturing Purchasing Managers' Index (PMI) rose to 42.4 points in May after experiencing a steep decline in the previous month (April: 39.6 points vs. March: 47.3 points). While the PMI index still lies within the contractionary region (<50 points), the gradual improvement implies that the manufacturers may have commenced their production activities. Over time, this would translate into more demand for labour and capital goods (machinery & equipment) should more orders would come in. Already, the New Orders sub index has increased from 31.5 points in April to 36.3 points in May.

As such, we maintained our exports forecast between -7.0% and -9.0% for this year (2019: -1.7%).

Chart 2: J.P. Morgan Global Manufacturing PMI, points



Source: CEIC

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