

Dr. Mohd Afzanizam Abdul Rashid | Chief Economist | 03-2088 8075 | afzanizam@bankislam.com.my
Shafiz Jamaluddin | Economic Analyst | 03-2088 8399 | shafiz@bankislam.com.my
Nor Jannah Abdullah | Economic Analyst | 03-2782 1417 | norjannah@bankislam.com.my
Nurriqque Addelina Zamanhuri | YLP Trainee | 03-2088 8753 | naddelina@bankislam.com.my

Exports turned positive at 2.7% in December

Facts

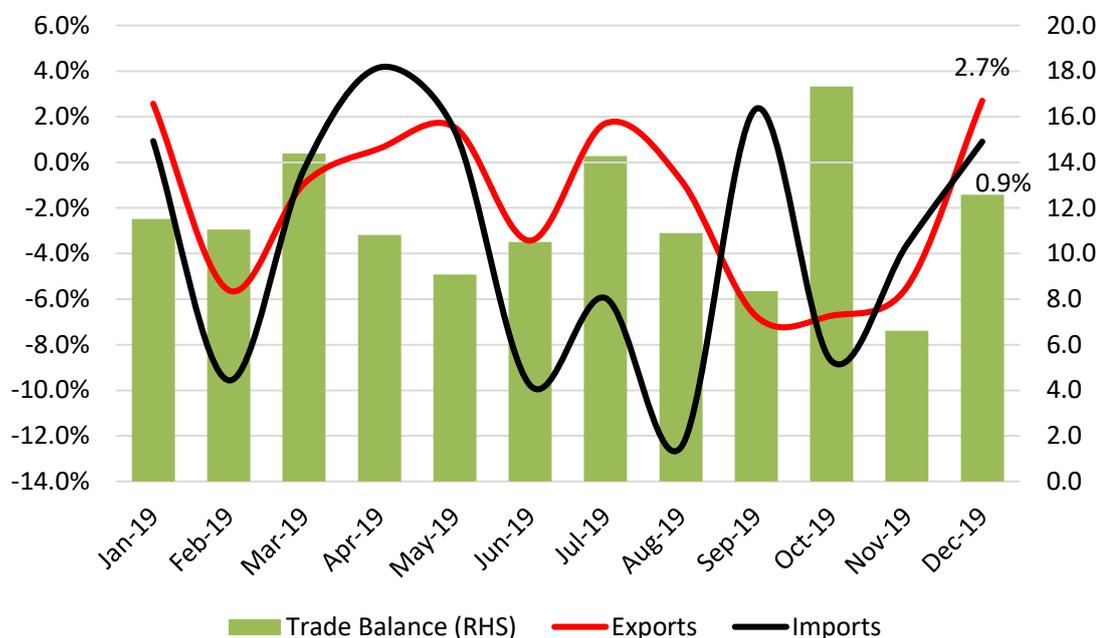
- ✓ Malaysia's exports rebounded by 2.7% year-on-year (y-o-y) in December 2019 from 5.5% contraction previously (Consensus: 2.5% vs. Bank Islam: -7.3%). This was mainly contributed by Palm Oil, Includes Crude & Processed and Petroleum Products which grew significantly by 20.9% (Nov 2019: -2.6%) and 35.2% (Nov 2019: -19.0%) respectively in December 2019. On the same note, higher exports were seen in Machinery, Appliances & Parts (Dec 2019: 7.0% vs. Nov 2019: 6.0%), Heating & Cooling Equipment & Parts (Dec 2019: 5.4% vs. Nov 2019: 5.2%), as well as Rubber Gloves (Dec 2019: 7.4% vs. Nov 2019: 1.0%).
- ✓ Nonetheless, the shipments of Crude Petroleum (Dec 2019: -24.3% vs. Nov 2019: -23.4%), Electrical & Electronic (E&E) Products (Dec 2019: -5.4% vs. Nov 2019: -11.6%) and Liquefied Natural Gas (Dec 2019: -21.3% vs. Nov 2019: -35.9%) remained in the negative territory during December last year.
- ✓ Exports performance by region showed that shipments to China, United States (US) and Vietnam recorded a higher print at 17.8% (Nov 2019: 4.1%), 15.1% (Nov 2019: 6.5%) and 12.2% (Nov 2019: -11.0%) respectively in December 2019. In contrast, exports to Japan, Hong Kong, Australia and Germany shrank by 13.9% (Nov 2019: -16.0%), 18.1% (Nov 2019: -21.1%), 12.0% (Nov 2019: -8.2%) and 11.7% (Nov 2019: -2.0) respectively in December 2019.
- ✓ On imports, it grew positively by 0.9% in December 2019 from -3.6% in the previous month. The expansion was predominantly driven by increase in Intermediate Goods (Dec: 6.0% vs. Nov 2019: 1.8%) while Consumption Goods edged up by 3.2% (Nov 2019: 1.9%) in December 2019. On the contrary, imports of Capital Goods have declined further by 10.9% in December 2019 from -4.4% in the preceding month. Overall, the trade balance recorded a surplus of RM12.6 billion in December 2019 from RM6.6 billion in November 2019.
- ✓ For the whole of 2019, total exports declined by 1.7% from 7.3% growth in the previous year. Similarly, total imports fell by 3.5% in 2019 from 5.2% growth registered in 2018. Consequently, trade surplus widened from RM123.8 billion in 2018 to RM137.4 billion in 2019.

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

Y-o-Y (%)	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19	2018	2019
Export	-0.8%	-6.7%	-6.7%	-5.5%	2.7%	7.3%	-1.7%
Import	-12.5%	2.4%	-8.7%	-3.6%	0.9%	5.2%	-3.5%
Trade Balance (RM billion)	10.9	8.4	17.3	6.6	12.6	123.8	137.4
Export by Product							
Machinery, Appliances and Parts	7.6%	6.8%	3.5%	6.0%	7.0%	1.3%	1.8%
Electrical & Electronic Products	-7.4%	-12.2%	-3.2%	-11.6%	-5.4%	11.2%	-2.3%
Palm Oil, Includes Crude and Processed	16.7%	-6.6%	-9.3%	-2.6%	20.9%	-13.3%	-4.0%
Liquefied Natural Gas	-11.2%	-1.8%	-17.1%	-35.9%	-21.3%	2.2%	-1.9%
Petroleum Products	7.7%	-14.7%	-27.2%	-19.0%	35.2%	15.7%	-5.8%
Crude Petroleum	-40.2%	-45.8%	-50.5%	-23.4%	-24.3%	31.0%	-28.1%
Optical and Scientific Equipment	-12.3%	12.8%	17.6%	11.9%	11.9%	12.9%	5.5%
Professional, Scientific & Controlling Instruments	-13.1%	15.4%	19.7%	12.7%	12.6%	16.0%	6.7%
Rubber Gloves	-5.0%	-3.2%	-14.1%	1.0%	7.4%	12.4%	-2.6%
Heating and Cooling Equipment and Parts	17.4%	5.4%	25.5%	5.2%	5.4%	-13.1%	2.8%
Export by Country							
Singapore	-7.2%	-11.6%	4.1%	-11.9%	-2.7%	3.4%	-2.4%
China	-2.8%	-3.0%	-11.0%	4.1%	17.8%	10.5%	0.3%
European Union	5.3%	-10.8%	-5.2%	-4.3%	-3.8%	3.5%	-2.9%
United States	6.8%	6.6%	2.7%	6.5%	15.1%	2.4%	5.5%
Japan	2.5%	-1.7%	-20.1%	-16.0%	-13.9%	-6.9%	-7.3%
Thailand	-8.4%	-4.3%	-18.2%	-14.6%	-7.3%	13.0%	-2.2%
Hong Kong	-15.4%	-26.5%	0.1%	-21.1%	-18.1%	56.8%	-11.1%
Australia	-27.4%	-19.5%	-50.3%	-8.2%	-12.0%	3.6%	-15.3%
Germany	-13.0%	-6.1%	-3.1%	-2.0%	-11.7%	5.7%	-7.9%
Vietnam	24.7%	-5.4%	-1.9%	-11.0%	12.2%	24.4%	1.2%
Philippines	-1.8%	-4.2%	-2.3%	3.7%	1.4%	2.6%	7.3%
Import by End-Use							
Capital Goods	-30.9%	7.0%	-11.5%	-4.4%	-10.9%	-2.7%	-10.8%
Intermediate Goods	-13.8%	11.1%	-5.1%	1.8%	6.0%	-3.5%	1.1%
Consumption Goods	-12.8%	15.1%	-5.0%	1.9%	3.2%	2.8%	1.3%

Source: CEIC, Bank Islam

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



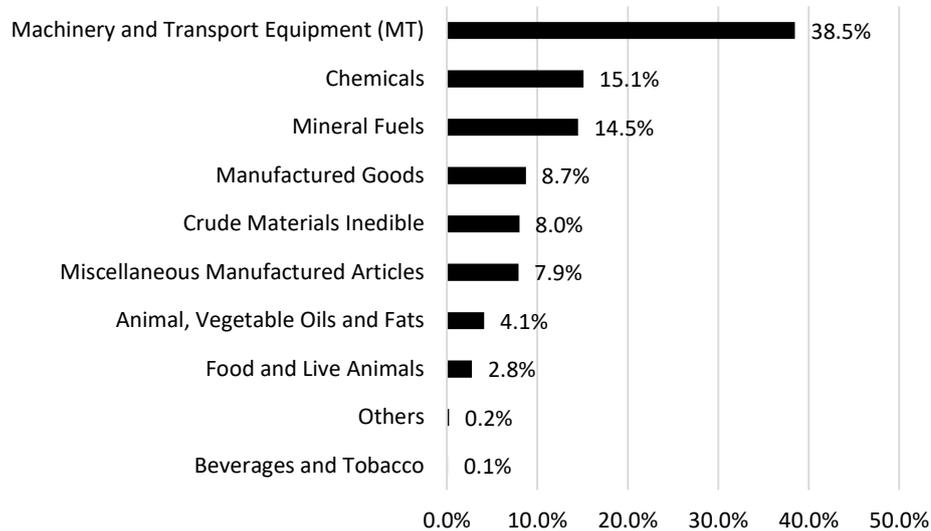
Source: CEIC

Our view

Heightening uncertainties globally brought by the trade spat between the US and China has taken a toll on international trade. The recent outbreak of Novel Coronavirus (2019-nCoV) in Wuhan City of Hubei Province, China has also cast a shadow on the global growth prospects just as the clouds over the US-China trade kerfuffle was clearing. The number of confirmed cases have gone up almost exponentially to 20,630 as of 4 February from 282 cases on 20 January. This has exceeded the 8,422 confirmed cases recorded during the Severe Acute Respiratory Syndrome (SARS) outbreak in 2003 which happened between November 2002 and July 2003. The World Health Organisation (WHO) has declared Public Health Emergency of International Concern (PHEIC) on 30 January 2020. However, the Emergency Committee under the International Health Regulation (IHR) 2005 has not recommended any travel and trade restriction. Despite that, several countries have issued travel ban or barred entry to travelers from China. As such, tourism related industries such as airlines, accommodation and traveling agencies are the immediate casualty.

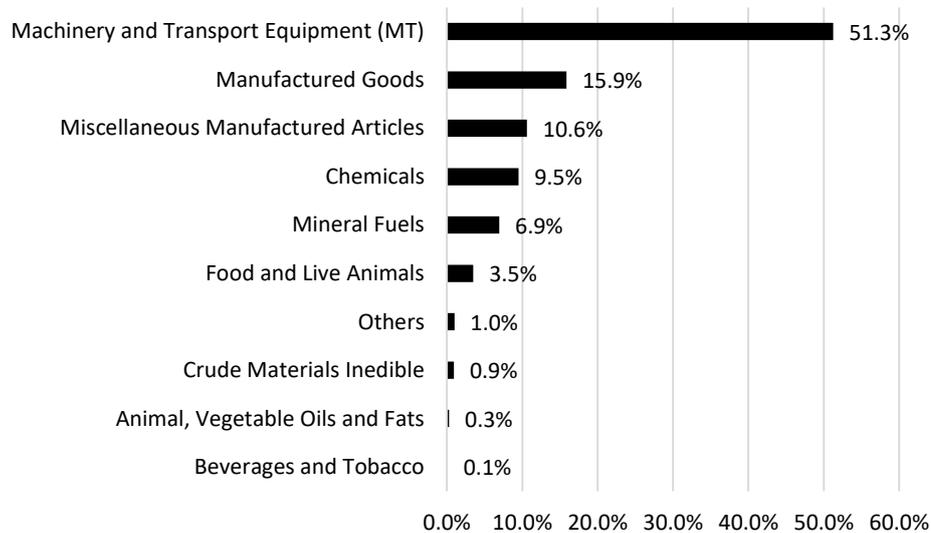
However, it may also result in the weakening of China's economy as more cities were put under lockdown. This could undermine economic activities including international trade if the prevailing situation prolonged. As for Malaysia, China is the top market for exports which accounted for 14.2% in 2019 (2018: 13.9%) whereby exports of Machinery & Transport Equipment, Chemicals and Mineral Fuels are the top 3 export products. The share of Malaysia's import from China is also quite significant at 20.7% last year (2018: 19.9%) with Machinery and Transport Equipment, Manufactured Goods and Miscellaneous Manufactured Articles accounted the large part of total import from China.

Chart 2: Export to China in 2019



Source: CEIC

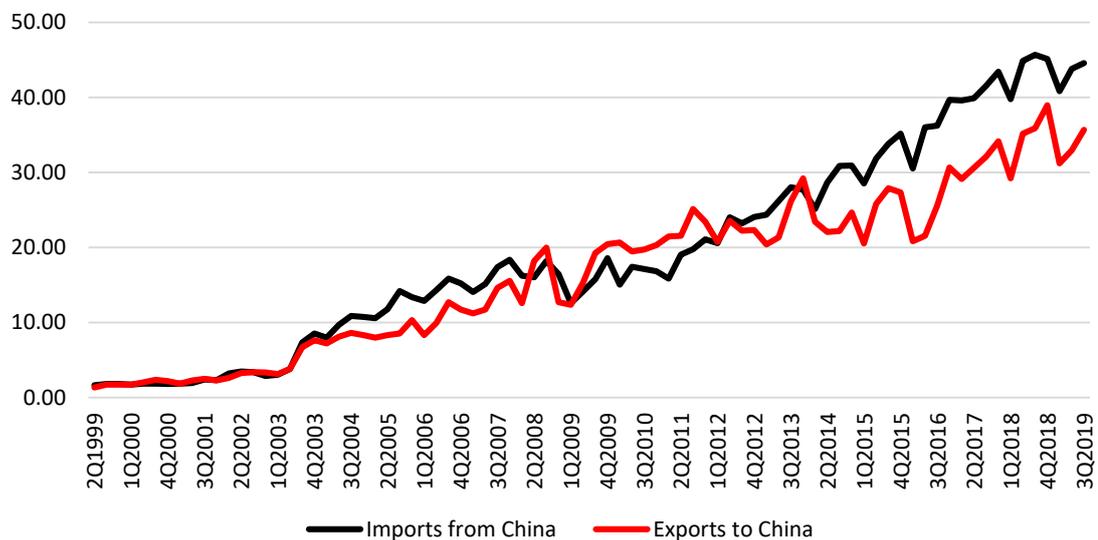
Chart 3: Import from China in 2019



Source: CEIC

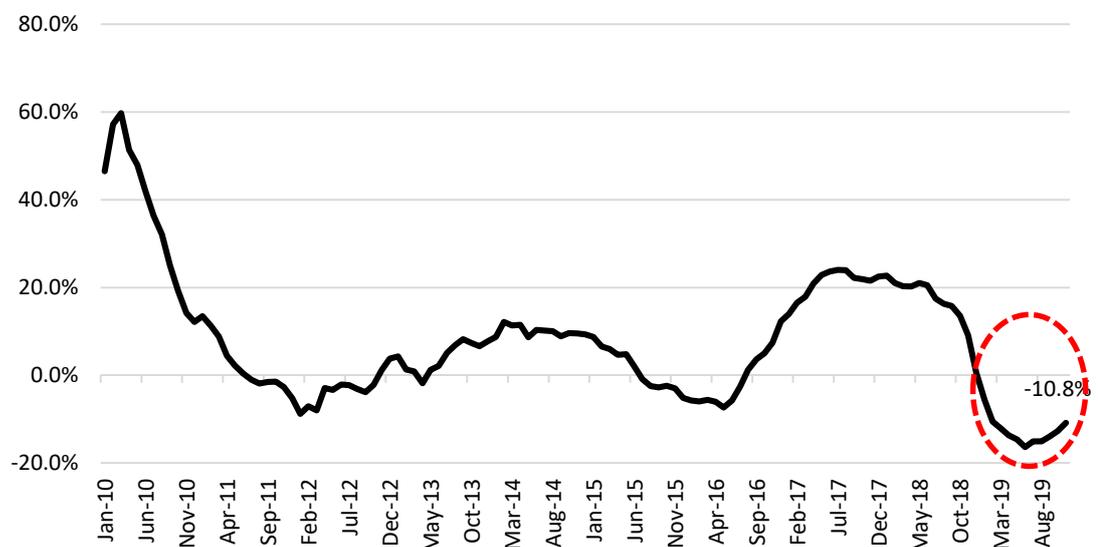
However, there seems to be a glimmer of hope as the tech sector has started to bottom out. The Global Semiconductor Sales (GSS) registered slower contraction at 10.8% in November 2019 as compared to negative growth of 12.7% in October 2019. Similarly, the degree of Malaysia's E&E exports has softened to -5.4% in December from 11.6% contraction in the previous month. As such, there would be a case that the semiconductor exports would performed better in 2020 especially in the context of the expected roll-out of 5G network this year. **As such, we expect nominal exports would grow between 1.8% to 2.0% in 2020** due to the low base effect as well as recovery in tech related exports. **However, we will make the necessary adjustment should the coronavirus outbreak become protracted and severely impacted the China's growth momentum.**

Chart 4: Exports to and Imports from China (RM billion)



Source: CEIC

Chart 5: Global Semiconductor Sales (GSS), y-o-y %



Source: CEIC

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.