

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

## Exports contracted by 4.7% in March

### Facts

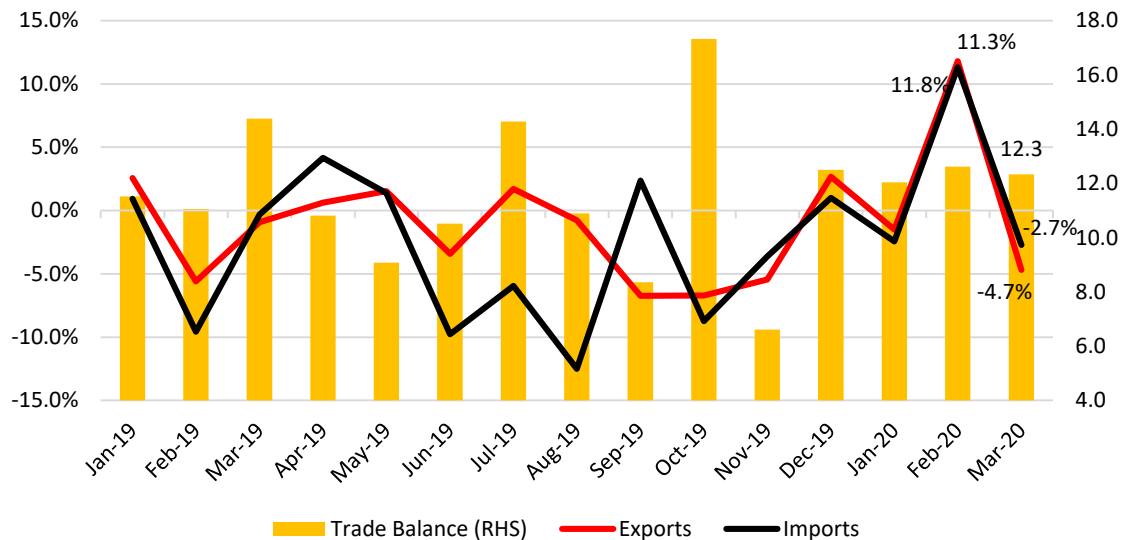
- ✓ Malaysia's exports fell by 4.7% year-on-year (y-o-y) in March from double digits growth of 11.8% in February (Consensus: -9.4%). This was mainly underpinned by sharp contraction in exports of Heating & Cooling Equipment & Parts (March: -18.8% vs. February: 36.0%), Machinery, Appliances & Parts (March: -17.6% vs. February: 23.0%), Electrical & Electronic (E&E) Products (March: -13.9% vs. February: -2.7%) and Liquefied Natural Gas (March: -13.4% vs. February: 7.1%) during March. These products accounted for 42.1% of total exports.
- ✓ On a similar note, exports for Palm Oil including Crude & Processed (March: -0.9% vs. February: 14.7%), Crude Petroleum (March: -4.2% vs. February: -11.7%), Optical & Scientific Equipment (March: -9.1% vs. February: 50.9%) and Professional, Scientific & Controlling Instruments (March: -6.9% vs. February: 56.6%) have also declined in March.
- ✓ Nonetheless, exports for Petroleum Products increased significantly by 44.3% in March (February: 21.7%) whilst Rubber Gloves exports sustained at a double digit pace of 19.8% (February: 18.3%). The two products have cushioned the overall downturn in exports.
- ✓ Exports by destination showed that overseas shipment to Thailand, Vietnam, European Union (EU) and Hong Kong nosedived by 37.4% (February: -12.3%), 31.4% (February: 14.5%), 13.4% (February: -12.7%) and 12.6% (February: 1.0%) in March respectively. On the other hand, shipments to Singapore softened to 8.6% in March from 22.5% in the prior month.
- ✓ Total imports plummeted by 2.7% in March from positive growth of 11.3% in February. This was largely driven by imports of Capital Goods which has deteriorated steeply by 47.5% in March (February: -16.9%). Meanwhile, imports for Intermediate and Consumptions Goods moderated by 2.0% (February: 20.4%) and 7.0% (February: 10.2%) during March. Consequently, the trade surplus narrowed to RM12.3 billion in March from RM12.6 billion in the preceding month.
- ✓ Cumulatively, total exports rebounded to 1.1% growth during the first three months of 2020 after declining by 3.4% in the preceding quarter. Similarly, total imports improved to 1.3% in 1Q2020 from 3.9% contraction during the final quarter of 2019. As such, the trade surplus balance widened to RM37.0 billion during 1Q2020 (4Q2019: RM36.4 billion).

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

<b>y-o-y (%)</b>	<b>Nov-19</b>	<b>Dec-19</b>	<b>Jan-20</b>	<b>Feb-20</b>	<b>Mar-20</b>	<b>4Q2019</b>	<b>1Q2020</b>
Export	-5.5%	2.7%	-1.5%	11.8%	-4.7%	-3.4%	1.1%
Import	-3.6%	1.0%	-2.4%	11.3%	-2.7%	-3.9%	1.3%
Trade Balance (RM billion)	6.6	12.5	12.0	12.6	12.3	36.4	37.0
<b>Export by Product</b>							
Machinery, Appliances and Parts	6.0%	6.9%	5.7%	23.0%	-17.6%	5.5%	1.9%
Electrical & Electronic Products	-11.6%	-5.4%	-5.5%	-2.7%	-13.9%	-6.5%	-7.6%
Palm Oil, Includes Crude and Processed	-2.6%	20.9%	1.2%	14.7%	-0.9%	1.8%	4.6%
Liquefied Natural Gas	-35.9%	-21.3%	-22.8%	7.1%	-13.4%	-25.2%	-12.1%
Petroleum Products	-19.0%	34.9%	62.0%	21.7%	44.3%	-8.3%	43.0%
Crude Petroleum	-23.4%	-24.3%	-10.9%	-11.7%	-4.2%	-34.0%	-8.8%
Optical and Scientific Equipment	11.9%	12.0%	-0.1%	50.9%	-9.1%	13.9%	9.2%
Professional, Scientific & Controlling Instruments	12.7%	12.6%	0.2%	56.6%	-6.9%	15.1%	11.3%
Rubber Gloves	1.0%	7.4%	12.8%	18.3%	19.8%	-2.2%	17.0%
Heating and Cooling Equipment and Parts	5.2%	5.4%	29.7%	36.0%	-18.8%	11.6%	12.9%
<b>Export by Country</b>							
Singapore	-11.9%	-2.7%	1.1%	22.5%	8.6%	-3.5%	9.7%
China	4.1%	17.8%	-5.6%	11.0%	-6.1%	2.3%	-1.3%
European Union	-4.3%	-3.8%	-7.3%	-12.7%	-13.4%	-4.5%	-11.0%
United States	6.5%	15.1%	9.5%	25.5%	-3.6%	8.0%	9.5%
Japan	-16.0%	-13.9%	-1.6%	3.7%	-0.5%	-16.8%	0.4%
Thailand	-14.6%	-7.3%	-19.8%	-12.3%	-37.4%	-13.9%	-24.2%
Hong Kong	-21.1%	-18.1%	-14.0%	1.0%	-12.6%	-12.2%	-9.8%
Australia	-8.2%	-12.0%	7.8%	-6.8%	-2.0%	-26.0%	-0.4%
Germany	-2.0%	-11.7%	-10.3%	-7.8%	-29.6%	-5.7%	-16.0%
Vietnam	-11.0%	12.2%	-16.7%	14.5%	-31.4%	-0.8%	-14.3%
Philippines	3.7%	1.4%	7.8%	34.3%	15.0%	0.8%	18.3%
<b>Import by End-Use</b>							
Capital Goods	-4.4%	-11.0%	-14.8%	-16.9%	-47.5%	-8.9%	-26.8%
Intermediate Goods	1.8%	6.2%	3.7%	20.4%	2.0%	1.0%	8.1%
Consumption Goods	1.9%	3.2%	-1.0%	10.2%	7.0%	0.1%	4.8%

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 Movement Control Order (MCO) which began on 18 March has taken a toll on economic activities and inadvertently, Malaysia's international trade. This is rather unsurprising as other jurisdictions also faced similar fate. For instance, India's merchandise exports slumped by 34.6% y-o-y in March from 2.9% expansion in the preceding month. Similarly, South Korea exports plunged by 24.3% in April after 0.7% decline during March. This was largely due to contraction in Semiconductor exports of 14.9% (March: -2.7%) followed by sharp decline in Automobiles (April: -40.9% vs. March: 2.1%) and Machinery (April: -20.0% vs. March: -3.8%). On the contrary, Singapore's Non-Oil Domestic Exports (NODX) jumped to 17.6% in March from 3.1% growth previously led by Pharmaceutical which posted 48.6% growth (February: 23.7%). This could possibly explained by the time lag for strict enforcement of "circuit breaker" which commenced from April 7 to May 4.

Business sentiments were also plunging with Malaysia's Manufacturing Purchasing Manager's Index (PMI) fell steeply from 48.4 points in March to 31.3 points in April. According to the survey, new orders dropped drastically during April as measures to tackle the Covid-19 pandemic have forced businesses to close their production activities. Such trend is also in line with other economies such as Japan (April: 41.9 points vs. March: 44.8 points), South Korea (April: 41.6 points vs. March: 44.2 points) as well as, Indonesia (April: 27.5 points vs. March: 45.3 points). The Malaysian Institute of Economic Research (MIER) Business Condition Index (BCI) also declined to 83 points in the 1Q2020 and the index has stayed below the 100-points demarcation line for six consecutive quarters. Business sentiments as reflected by the PMI and BCI indicates that investment among firms will not be forthcoming. Total imports of Capital Goods have dropped significantly to 26.8% in the 1Q2020 from 8.9% contraction in the previous. This indicates private investment would stay sluggish during the first three months of 2020.

In addition, the sharp decline in E&E related exports would remain in a doldrums in the near term as indicated by the International Data Corporation (IDC) survey. According to IDC, global shipment for smartphones have slumped by 11.7% y-o-y in the 1Q2020 from 1.1% contraction in the preceding quarter, a back-to-back decline from the previous quarter. Such dismal performance was due to sizeable contraction in Samsung shipments by 18.9% to 58.3 million units, followed by Others (-17.2%, 77.5 million units), Huawei (-17.1%, 49.0 million units) and Apple (-0.4%, 36.7 million units). This indicates that the overall smartphones' prospects have become very challenging in 2020 as global smartphones industries are highly correlated with China's supply chain. Notwithstanding, Vivo and Xiaomi still recorded a positive growth as the total shipments have increased by 7.0% and 6.1% to 24.8 million units and 29.5 million units respectively. Perhaps, it is not totally doom and gloom for the smart phone devices as there could be some pockets of opportunities, depending on the brands.

**Table 2: Worldwide Quarterly Smartphone Top 5 Company Shipments, 1Q2020 and 1Q2019 (millions of units)**

Company	1Q2020 Shipments (million)	1Q2020 Market Share	1Q2019 Shipments (million)	1Q2019 Market Share	Annual Growth (y-o-y)
Samsung	58.3	21.1%	71.9	23.0%	-18.9%
Huawei	49.0	17.8%	59.1	18.9%	-17.1%
Apple	36.7	13.3%	36.8	11.8%	-0.4%
Xiaomi	29.5	10.7%	27.8	8.9%	6.1%
Vivo	24.8	9.0%	23.2	7.4%	7.0%
Others	77.5	28.1%	93.5	29.9%	-17.2%
<b>Total</b>	<b>275.8</b>	<b>100.0%</b>	<b>312.3</b>	<b>100.0%</b>	<b>-11.7%</b>

Source: IDC Quarterly Mobile Phone Tracker, April 29, 2020

While the reopening of the economy has gained momentum, social distancing measures and personal hygiene will continue to be enforced strictly. Additionally, the intermittent rise in new infection cases would refrain consumers to be outside of their residential for an extended period of time. We believe such dynamics are quite universal and could be applied to other countries. Therefore, the supply and demand shocks will affect the global economy in 2020. And not to mention the renewed concern on the potential escalation of a trade war between the US and China following the US officials remark over possible origin of the Covid-19 in Wuhan Institute of Virology. As such, we **maintained our exports forecast between -7.0% and -9.0% for this year.**

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