



From the Desk  
of the  
**Chief Economist**

**BANK ISLAM**

# **EXPORTS GROWTH SOFTENED TO A TUNE OF 0.2% IN OCTOBER 2020**

**27 NOVEMBER 2020**

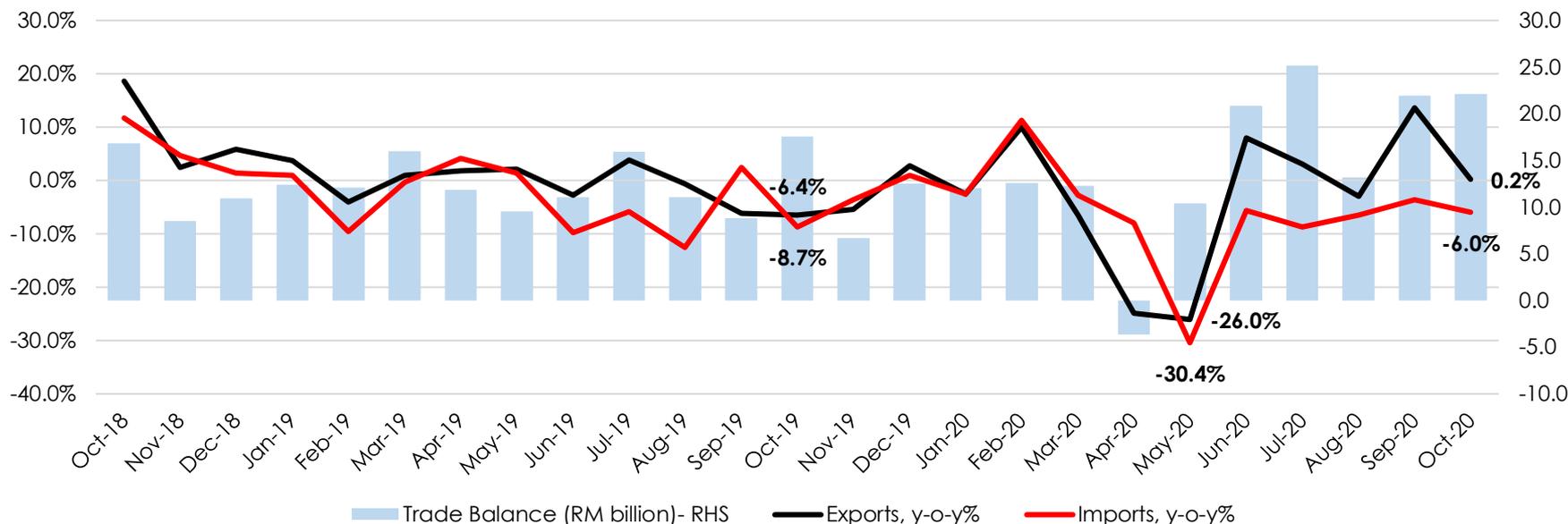
**ECONOMIC RESEARCH**

**DR. MOHD AFZANIZAM ABDUL RASHID  
ADAM MOHAMED RAHIM  
SHAFIZ BIN JAMALUDDIN  
NOR JANNAH ABDULLAH**

# EXPORTS RECORDED A SLOWER GROWTH OF 0.2% IN OCTOBER 2020

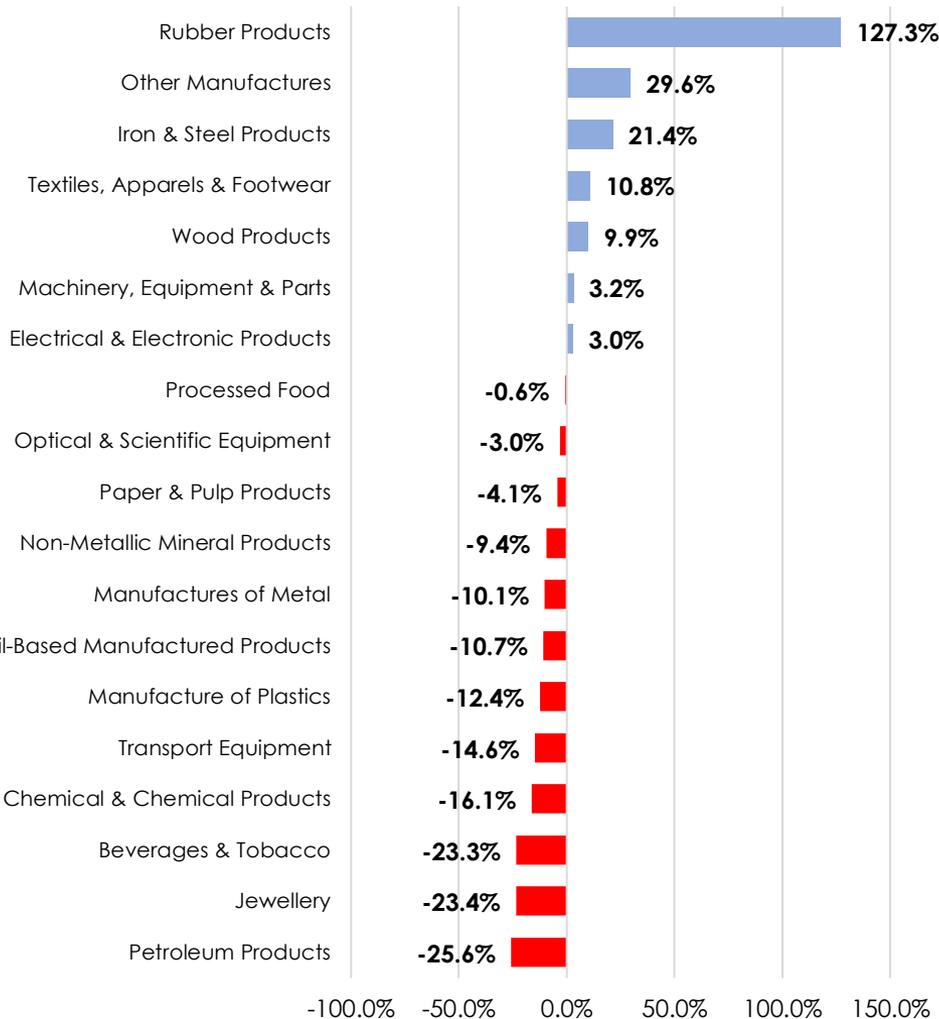
- ✓ Malaysia's exports posted 0.2% year-on-year (y-o-y) growth in October after rising by double digits at 13.6% in the previous month (Consensus: -0.4%, Bank Islam: 1.3%). This was mainly underpinned by a slower increase in exports of Manufacturing sector (October: 2.5% vs. September: 16.3%), which forms a sizeable share of 87.8% of total exports.
- ✓ However, exports for Agriculture jumped by 28.7% in October (September: 26.6%), cushioning the sharp contraction in Mining (October: -47.2% vs. September: -27.4%).

### Malaysia's Trade Performance



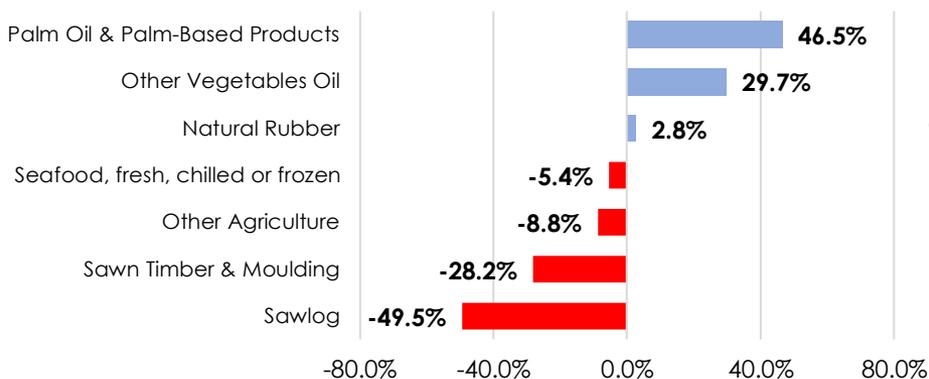
Sources: CEIC, DOSM

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



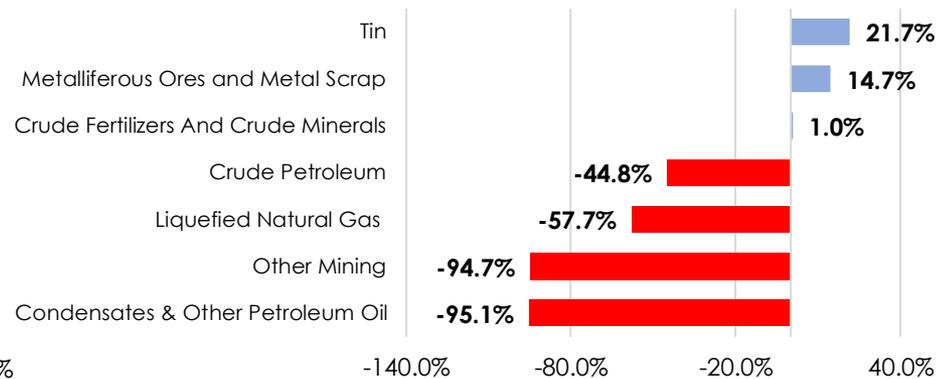
- ✓ Within the Manufacturing sector, a sharp increase can be seen in exports of Rubber Products which rose significantly by 127.3% in October from 115.8% recorded previously.
- ✓ This was followed by exports of Other Manufactures (October: 29.6% vs. September: 33.0%), Iron & Steel Products (October: 21.4% vs. September: 30.3%) and Textiles, Apparels & Footwear (October: 10.8% vs. September: 3.9%).
- ✓ On the other hand, exports of Electrical & Electronic (E&E) Products which contributes 42.4% of total exports activities, softened by 3.0% in October from 33.0% in September.
- ✓ Nonetheless, contraction can be seen in a few products such as Petroleum Products (October: -25.6% vs. September: -29.5%), Jewellery (October: -23.4% vs. September: -20.6%) and Beverages & Tobacco (October: -23.3% vs. September: -16.9%).

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



Source: DOSM

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



Source: DOSM

- ✓ As for Agriculture activities, exports of Palm Oil & Palm- Based Products skyrocketed by 46.5% in October (September: 43.6%) while Other Vegetable Oil and Natural Rubber rebounded by 29.7% and 2.8% in October from negative growth of 17.3 and 7.7% previously.
- ✓ Within the Mining sub-sector, Condensates & Other Petroleum Oil, Other Mining, Liquefied Natural Gas (LNG) and Crude Petroleum recorded sharp contraction at 95.1% (September: -66.9%), 94.7% (September: -85.9%), 57.7% (September: -52.2%) and 44.8% (September: 22.2%) in October.
- ✓ On imports, it remained in the negative level at 6.0% in October (September: -3.6%), attributed by drop in imports of Capital Goods (October: -17.1% vs. September: -2.2%), Dual Use Goods (October: -9.0% vs. September: -34.5%) and Intermediate Goods (October: -6.1% vs. September: -17.7%). Apart from that, the Consumption Goods softened by 6.5% in October from 11.2% in September. Consequently, the trade surplus widened to RM22.1 billion in October (September: RM21.9 billion).
- ✓ Cumulatively, the exports registered higher rate of decline at 3.3% in 10M2020 as compared to -0.7% in the same period last year. Similarly, imports were down by 6.8% in 10M2020 from -3.9% in 10M2019. Therefore, the trade surplus increased to RM147.0 billion in 10M2020 from RM126.4 billion in 10M2019.

# TRADE PERFORMANCE - EXPORTS

Sector and Sub-Sector	Value RM Million (FOB)			Share (%)	Annual Change (%)		Value RM Million (FOB)		
	Oct 2019	Sep 2020	Oct 2020		Val RM Million (FOB)	%	Jan-Oct 2019	Jan-Oct 2020	Share (%)
<b>Total Exports</b>	<b>90,861</b>	<b>88,905</b>	<b>91,051</b>	<b>100.0</b>	<b>190.5</b>	<b>0.2</b>	<b>827,689</b>	<b>800,585</b>	<b>100.0</b>
<b>Manufacturing</b>	<b>78,022</b>	<b>77,985</b>	<b>79,936.6</b>	<b>87.8</b>	<b>1,914.3</b>	<b>2.5</b>	<b>698,908</b>	<b>691,286.1</b>	<b>86.3</b>
Electrical & Electronic Products (E&E)	37,489	38,875	38,628	48.3	1,139.5	3.0	314,472	315,350	45.6
Petroleum Products	5,823	3,781	4,333	5.4	(1,489.7)	(25.6)	58,255	51,879	7.5
Chemical And Chemical Products (Exclude Plastics Ir	4,955	4,357	4,159	5.2	(795.6)	(16.1)	47,744	41,227	6.0
Optical & Scientific Equipment	4,035	4,312	3,914	4.9	(121.3)	(3.0)	32,687	34,139	4.9
Rubber Products	2,297	4,522	5,220	6.5	2,923.5	127.3	21,172	33,094	4.8
Machinery, Equipment And Parts	3,442	3,440	3,551	4.4	109.0	3.2	34,442	32,301	4.7
Manufacture Of Metal	3,504	3,142	3,149	3.9	(354.6)	(10.1)	34,875	29,269	4.2
Iron And Steel Products	1,538	1,952	1,868	2.3	329.3	21.4	17,509	19,526	2.8
Processed Food	1,980	1,785	1,968	2.5	(11.5)	(0.6)	17,796	17,472	2.5
Palm Oil-Based Manufactured Products	1,865	1,685	1,666	2.1	(198.7)	(10.7)	19,658	17,118	2.5
Transport Equipment	1,823	1,280	1,557	1.9	(265.8)	(14.6)	15,551	15,901	2.3
Wood Products	1,460	1,470	1,605	2.0	145.1	9.9	12,837	12,911	1.9
Textiles, Apparels And Footwear	1,217	1,204	1,348	1.7	131.2	10.8	12,782	11,273	1.6
Manufacture Of Plastics	1,345	1,055	1,178	1.5	(166.4)	(12.4)	12,460	10,786	1.6
Non-Metallic Mineral Products	865	701	784	1.0	(81.4)	(9.4)	7,317	6,565	0.9
Paper & Pulp Products	576	495	553	0.7	(23.8)	(4.1)	5,242	5,243	0.8
Jewellery	620	388	475	0.6	(144.8)	(23.4)	5,820	3,148	0.5
Beverages & Tobacco	292	228	224	0.3	(68.0)	(23.3)	2,840	2,080	0.3
Other Manufactures	2,897	3,315	3,755	4.7	858.3	29.6	25,450	32,003	4.6
<b>Agriculture</b>	<b>5,571</b>	<b>6,547</b>	<b>7,169</b>	<b>7.9</b>	<b>1,597.5</b>	<b>28.7</b>	<b>54,953</b>	<b>57,676</b>	<b>7.2</b>
Palm Oil and Palm-Based Products	3,730	4,924	5,465	76.2	1,734.9	46.5	36,730	41,810	72.5
Natural Rubber	300	269	308	4.3	8.3	2.8	3,207	2,574	4.5
Sawn Timber & Moulding	391	313	281	3.9	(110.3)	(28.2)	3,634	2,543	4.4
Other Vegetables Oil	206	224	267	3.7	61.2	29.7	2,380	2,360	4.1
Seafood, fresh, chilled or frozen	222	184	210	2.9	(11.9)	(5.4)	1,836	1,903	3.3
Sawlog	53	36	27	0.4	(26.1)	(49.5)	639	417	0.7
Other Agriculture	669	597	611	8.5	(58.6)	(8.8)	6,528	6,069	10.5
<b>Mining</b>	<b>6,783</b>	<b>4,016</b>	<b>3,583</b>	<b>3.9</b>	<b>(3,199.8)</b>	<b>(47.2)</b>	<b>67,903</b>	<b>48,061</b>	<b>6.0</b>
Liquefied Natural Gas (LNG)	3,633	1,484	1,536	42.9	(2,097.3)	(57.7)	35,500	24,167	50.3
Crude Petroleum	1,876	1,784	1,035	28.9	(840.7)	(44.8)	21,657	15,875	33.0
Metalliferous Ores and Metal Scrap	616	464	706	19.7	90.2	14.7	5,894	5,075	10.6
Tin	121	103	147	4.1	26.2	21.7	1,503	1,154	2.4
Crude Fertilizers And Crude Minerals	137	117	139	3.9	1.3	1.0	1,086	1,039	2.2
Condensates and other petroleum oil	392	63	19	0.5	(372.5)	(95.1)	2,237	738	1.5
Other Mining	7	1	0	0.0	(7.0)	(94.7)	26	13	0.0
<b>Others</b>	<b>485</b>	<b>357</b>	<b>363</b>	<b>0.4</b>	<b>(121.4)</b>	<b>(25.0)</b>	<b>5,925</b>	<b>3,562</b>	<b>0.4</b>

# TRADE PERFORMANCE - IMPORTS

Imports by End Use	Value RM Million (CIF)			Share (%)	Annual Change (%)		Value RM Million (CIF)		
	Oct 2019	Sep 2020	Oct 2020		Val RM Million (CIF)	%	Jan-Oct 2019	Jan-Oct 2020	Share (%)
<b>Gross Imports</b>	<b>73,289</b>	<b>66,957</b>	<b>68,927</b>	<b>100.0</b>	<b>(4,361.9)</b>	<b>(6.0)</b>	<b>701,270</b>	<b>653,548</b>	<b>100.0</b>
<b>Capital Goods</b>	<b>8,478</b>	<b>7,625</b>	<b>7,024</b>	<b>10.2</b>	<b>(1,453.4)</b>	<b>(17.1)</b>	<b>81,799</b>	<b>74,574</b>	<b>11.4</b>
Capital good (except transport equipment)	7,937	7,350	6,627	9.6	(1,309.9)	(16.5)	75,136	76,194	11.7
Transport equipment, industrial	541	275	397	0.6	(143.5)	(26.5)	6,663	(1,620)	(0.2)
<b>Consumption Goods</b>	<b>6,129</b>	<b>6,629</b>	<b>6,530</b>	<b>9.5</b>	<b>400.7</b>	<b>6.5</b>	<b>60,578</b>	<b>60,798</b>	<b>9.3</b>
Durables	734	1,029	913	1.3	178.3	24.3	7,856	7,743	1.2
Food & beverages, primary, mainly for household consumption	872	904	873	1.3	1.2	0.1	8,267	9,016	1.4
Food & beverages, process, mainly for household consumption	1,729	1,782	1,804	2.6	75.8	4.4	16,823	17,813	2.7
Non-durables	1,632	1,638	1,655	2.4	23.4	1.4	15,758	15,125	2.3
Semi-durables	1,082	1,167	972	1.4	(109.9)	(10.2)	11,023	10,119	1.5
Transport equipment, non-industrial	81	108	312	0.5	231.8	287.8	851	983	0.2
<b>Dual Use Goods</b>	<b>2,282</b>	<b>1,698</b>	<b>2,078</b>	<b>3.0</b>	<b>(204.8)</b>	<b>(9.0)</b>	<b>27,296</b>	<b>13,903</b>	<b>2.1</b>
Fuel & lubricants, processed motor spirit	1,724	1,341	1,591	2.3	(133.4)	(7.7)	19,730	10,617	1.6
Transport equipment, passenger motor cars	558	358	487	0.7	(71.4)	(12.8)	7,566	3,286	0.5
<b>Goods n.e.s.</b>	<b>156</b>	<b>245</b>	<b>249</b>	<b>0.4</b>	<b>92.9</b>	<b>59.6</b>	<b>1,242</b>	<b>2,013</b>	<b>0.3</b>
<b>Intermediate Goods</b>	<b>37,542</b>	<b>32,874</b>	<b>35,265</b>	<b>51.2</b>	<b>(2,276.2)</b>	<b>(6.1)</b>	<b>384,281</b>	<b>346,408</b>	<b>53.0</b>
Food & beverages, primary, mainly for industries	513	684	579	0.8	65.3	12.7	6,096	6,811	1.0
Food & beverages, processed, mainly for industries	1,184	854	881	1.3	(302.5)	(25.6)	8,899	9,370	1.4
Fuel & lubricants, primary	2,396	1,367	1,970	2.9	(426.7)	(17.8)	32,788	22,936	3.5
Fuel & lubricants, processed, other	1,924	1,227	1,503	2.2	(420.7)	(21.9)	16,023	15,534	2.4
Industrial supplies, n.e.s. primary	2,934	2,944	3,132	4.5	198.3	6.8	23,844	25,017	3.8
Industrial supplies, n.e.s. processed	16,980	14,219	14,762	21.4	(2,218.3)	(13.1)	157,701	135,484	20.7
Parts and accessories of capital goods (except transport equipment)	8,598	9,408	9,955	14.4	1,357.0	15.8	112,215	111,946	17.1
Parts and accessories of transport equipment	3,012	2,169	2,484	3.6	(528.5)	(17.5)	26,715	19,310	3.0

Source: DOSM

- ✓ Despite the softening of exports growth in October, the growth in Malaysia's exports is still higher in comparison to other countries.
- ✓ For example, countries such as the US, Japan, South Korea and Indonesia still recorded a negative exports growth in October as the Covid-19 crisis continued to weigh on demand conditions and supply chain globally.
- ✓ Other countries seeing lower exports growth than Malaysia is Singapore whereby its Non-Oil Domestic export (NODX) which accounts for about 79.7% of total export unexpectedly dropped by 3.1% y-o-y in October after a series of expansions (September: 5.8% vs. August: 7.7%). This was mainly contributed by fewer shipments of Electronic products (October: -0.4% vs. September: 21.4%) and Non-electronic products (October: -3.9% vs. September: 1.7%) during October.

## 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
US	-1.3	-0.4	-9.0	-29.4	-35.0	-23.7	-15.6	-13.1	-9.5	-7.5
China	n/a	n/a	-6.6	3.4	-3.2	0.5	7.2	9.5	9.9	11.4
Japan	-2.6	-1.0	-11.7	-21.9	-28.3	-26.2	-19.2	-14.8	-4.9	-0.2
Singapore	-3.3	3.1	16.6	9.7	-4.6	13.9	5.9	7.7	5.8	-3.1
India	-1.7	2.9	-34.6	-60.3	-36.5	-12.4	-10.2	-12.7	6.0	5.4
Indonesia	-2.8	9.9	-2.6	-6.9	-29.1	2.1	-10.1	-8.2	-0.8	-3.3
Thailand	3.4	-4.5	4.2	2.1	-22.5	-23.2	-11.3	-7.8	-3.9	6.7
South Korea	-6.6	3.6	-1.7	-25.6	-23.8	-10.8	-7.1	-10.2	7.6	-3.6
Taiwan	-7.6	24.9	-0.7	-1.3	-2.0	-3.8	0.3	8.3	9.4	11.2
Malaysia	-2.6	10.0	-6.5	-24.9	-26.0	8.0	3.1	-2.9	13.6	0.2

Sources: CEIC, Bloomberg

- ✓ The production of rubber gloves has been growing at a faster pace since January this year (September: 56.2% vs. August: 42.7%) 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 grew in October 2020 amid the resurgence of Covid-19 activities worldwide which include Europe and Japan.
- ✓ Therefore, it was no surprise that exports of rubber products surged by 127.3% in October (September: 115.8%). This is the third time that the growth in exports of rubber products grew by more than 100.0% this year.

### Production of Rubber Gloves (thousand pairs)



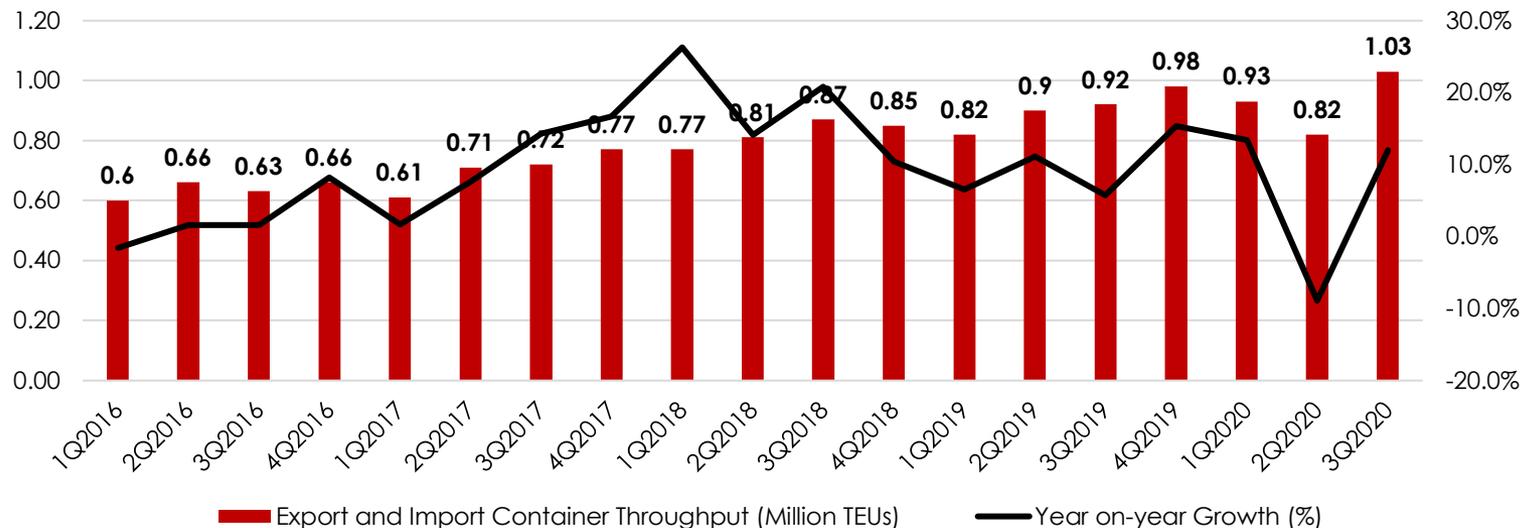
### Exports of Rubber Products, y-o-y (%)



Sources: CEIC, DOSM

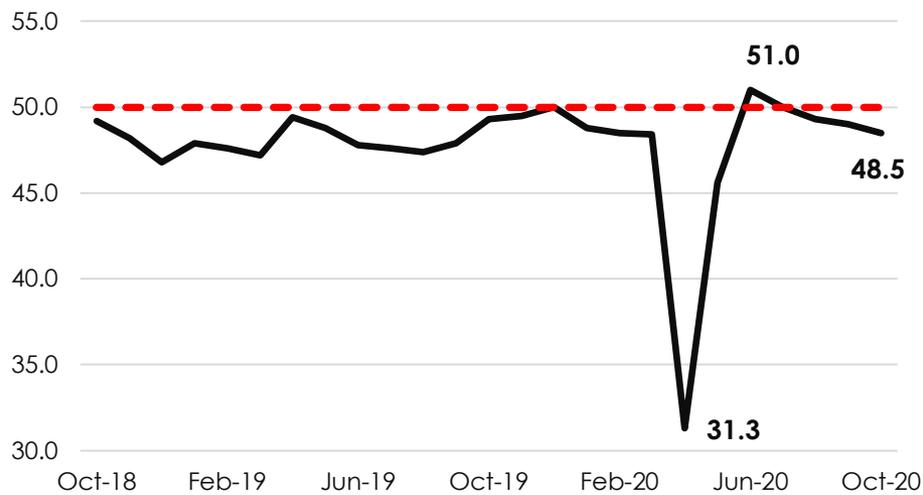
- ✓ From an industrial point of view, port operators such as Westports have seen their export and import container throughput reach a record high of 1.03 million Twenty Foot Equivalent Units (TEUs) which is 12.0% y-o-y higher in 3Q2020 amid the reopening of economies.
- ✓ So far within 4Q2020, Westports' overall container throughput grew by 4.0-5.0% y-o-y in October 2020.
- ✓ Various forms of lockdowns have been re-imposed as of late to curb the spread of Covid-19. Nevertheless, we view that trading activities together with container throughput should be seasonally strong in December driven by the festive season such as Christmas and the New Year coupled with frontloading of cargoes before the Chinese New Year festivities.
- ✓ As for 2021, Westports' is projecting a single digit growth underpinned by recovery in global trade.

### Westports Quarterly Export and Import Container Throughput (Million TEUs)



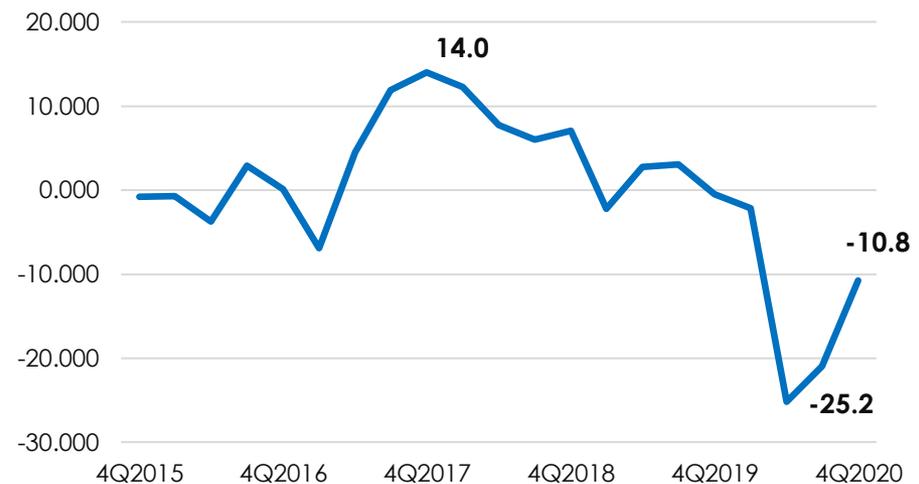
- ✓ In line with the stringent Standard Operating Procedures (SOPs) in business operations and movement restrictions, Malaysia's Manufacturing Purchasing Manager's Index (PMI) continued to contract for the third straight month, declining to 48.5 points in October from 49.0 points in the previous month. According to the IHS Markit survey, the extension and reintroduction of restrictions to prevent the fast-spreading virus was a key factor behind worsening market demand and a scaling back of production.
- ✓ Notwithstanding this, business prospects (seen through the business tendency survey) are expected to improve in 4Q2020 as reported by the Department of Statistic Malaysia (DOSM). Businesses have seen signs of recovery and forecasted a better performance in 4Q2020, though remaining pessimistic (4Q2020: -10.8% vs. 3Q2020: -21.0%).
- ✓ On further scrutiny, sectors that registered a significant improvement in the confidence indicators include Industry (4Q2020: -7.5% vs. 3Q2020: -24.0%) and Wholesale & Retail Trade (3Q2020: -8.7% vs. 3Q2020: -22.3%).

### Manufacturing PMI, points



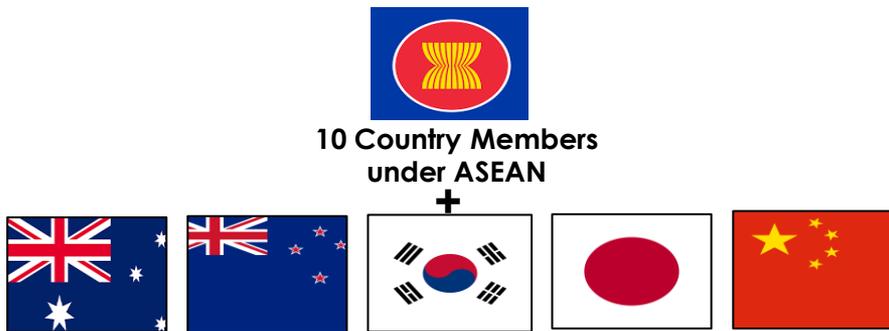
Sources: CEIC, DOSM  
ECONOMIC RESEARCH

### Business Tendency Survey: Confidence Indicators for All Sectors, %



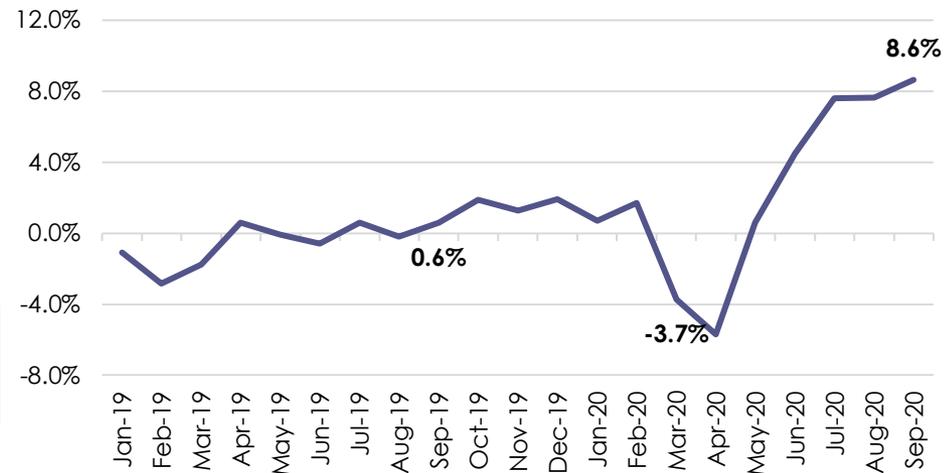
- ✓ Aside from the Business Tendency Survey, Malaysia is expected to continue to chart a decent economic recovery based on the smooth growth rate of the Leading Index (LI), which increased to 8.6% to reach 109.5 points in September 2020 compared with 100.8 points in the same month in 2019. The LI is used to predict the economic direction in an average of four to six months ahead.
- ✓ As mentioned earlier, the festive season in December will be provide a boost for exports. Meanwhile, November could see a reasonable growth underpinned by the Singles Day online sales which happened not just in Malaysia but in many parts of the world.
- ✓ Taking all of the prospects mentioned above into consideration, **we are revising our exports growth forecast to -3.1% from -4.0% previously for 2020 (2019: -0.8%).**
- ✓ For the longer term, we believe Malaysia is set to reap benefits from the Regional Comprehensive Economic Partnership (RCEP) as the trade pact will eliminate tariffs on a wide range of goods flowing between member countries.

## Members of the RCEP



Source: Official Website of ASEAN

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



Source: CEIC

# 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

