

Exports shrunk 3.1% in June

Facts

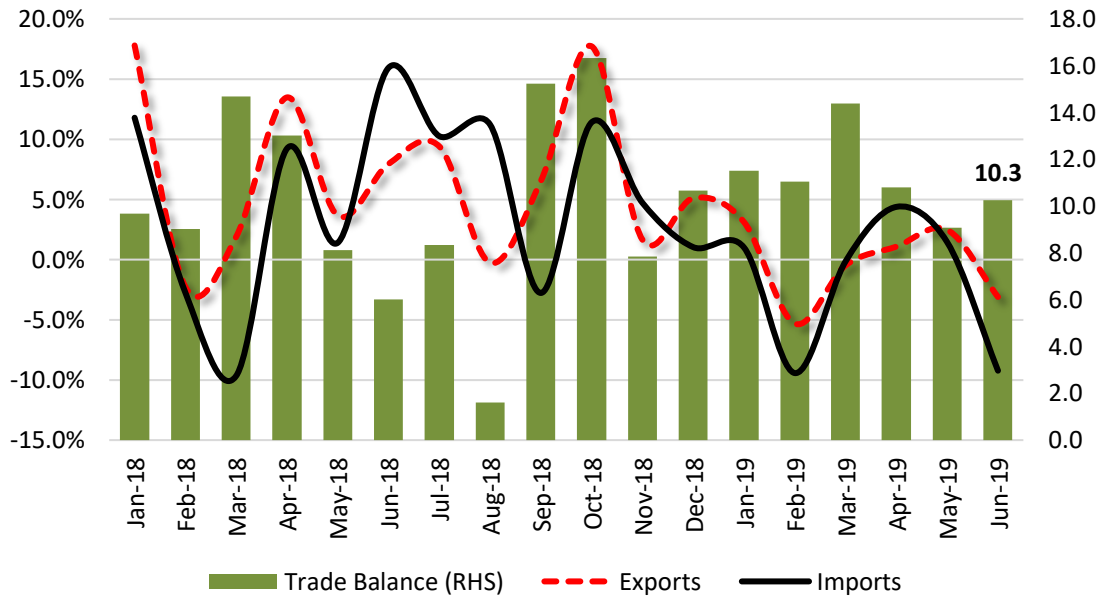
- ✓ Malaysian exports slumped by 3.1% year-on-year (y-o-y) in June from 2.5% expansion in the preceding month (Consensus: 1.9%). The contraction was predominantly attributed by the decrease in Machinery, Appliances and Parts (June: -10.9% vs. May: 14.9%), Electrical & Electronic (E&E) Products (June: -6.0% vs. May: 0.6%), as well as Rubber Gloves (June: -17.6% vs. May: 10.0%). These items accounted for 42.7% of total exports.
- ✓ Meanwhile, exports of Liquefied Natural Gas (June: 5.5% vs. May: -5.2%), Petroleum Products (June: 8.4% vs. May: -15.5%) and Crude Petroleum (June: 31.7% vs. May: -20.0%) rebounded into expansionary zone during June.
- ✓ With regards to the export's destination, products shipment to Singapore, China, Japan, Hong Kong and Vietnam declined by 0.9% (May: 2.4%), 12.0% (May: -2.2%), 13.5% (May: 7.5%), 25.0% (May: 3.4%) and 17.0% (May: 5.8%) respectively in June. However, overseas sales to European Union and Philippines expanded by 1.0% (May: -6.2%) and 51.2% (May: 39.9%) respectively.
- ✓ On imports, it plunged by 9.2% in June from 1.4% growth in the previous month. This was underpinned by the fall in imports of Capital (June: -23.6% vs. May: -6.2%), Intermediate (June: -2.5% vs. May: 6.5%) and Consumption Goods (June: -5.4% vs. May: 10.9%). Consequently, the trade surplus widened from RM9.1 billion in May to RM10.3 billion in June.
- ✓ For the 2Q2019, nominal exports grew moderately by 0.2% y-o-y from -0.7% in the preceding quarter while imports declined 1.2% albeit at slower pace from 2.5% previously, bringing the trade surplus balance of RM30.1 billion (1Q2019: RM37.0 billion). Cumulatively, total exports deteriorated by 0.2% in 1H2019 from a positive growth of 6.9% in the same period last year. Similarly, total imports fell to 1.8% in 1H2019 from 3.8% growth in 1H2018. Given that, the trade surplus balance widened from RM60.5 billion in 1H2018 to RM67.1 billion in 1H2019.

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

Y-o-Y (%)	Feb-19	Mar-19	Apr-19	May-19	Jun-19	1H2018	1H2019
Export	-5.3%	-0.5%	1.1%	2.5%	-3.1%	6.9%	-0.2%
Import	-9.4%	-0.1%	4.4%	1.4%	-9.2%	3.8%	-1.8%
Trade Balance (RM billion)	11.1	14.4	10.8	9.1	10.3	60.5	67.1
Export by Product							
Machinery, Appliances and Parts	-6.6%	-9.1%	0.8%	14.9%	-10.9%	1.3%	-2.4%
Electrical & Electronic Products	4.9%	-1.9%	3.9%	0.6%	-6.0%	10.8%	1.6%
Palm Oil, Includes Crude and Processed	-13.4%	-10.2%	-14.8%	7.8%	2.2%	-9.4%	-8.1%
Liquefied Natural Gas	8.6%	17.2%	26.3%	-5.2%	5.5%	-4.5%	15.9%
Petroleum Products	-30.9%	16.2%	22.3%	-15.5%	8.4%	16.8%	-6.2%
Crude Petroleum	-21.8%	-33.5%	-34.6%	-20.0%	31.7%	18.4%	-15.6%
Optical and Scientific Equipment	-17.4%	18.9%	19.5%	3.8%	-4.9%	12.9%	4.7%
Professional, Scientific & Controlling Instruments	-19.1%	21.5%	21.5%	3.6%	-4.2%	15.1%	6.1%
Rubber Gloves	3.0%	-0.8%	3.8%	10.0%	-17.6%	6.6%	-1.0%
Heating and Cooling Equipment and Parts	0.0%	-22.4%	3.6%	23.4%	2.1%	-10.8%	-4.6%
Export by Country							
Singapore	-2.9%	-6.8%	10.5%	2.4%	-0.9%	-1.8%	1.4%
China	-1.6%	11.8%	-6.6%	-2.2%	-12.0%	8.1%	-0.7%
European Union	3.7%	-5.0%	-8.6%	-6.2%	1.0%	8.6%	-2.1%
United States	-8.9%	-3.6%	3.1%	11.7%	8.8%	0.8%	3.3%
Japan	-2.9%	-11.3%	7.7%	7.5%	-13.5%	-7.9%	-3.3%
Thailand	-4.1%	15.6%	1.2%	7.3%	-4.0%	14.3%	5.8%
Hong Kong	-13.8%	-11.5%	0.1%	3.4%	-25.0%	74.9%	-9.0%
Australia	-0.4%	2.9%	4.2%	-13.0%	-10.5%	-8.2%	-5.0%
Germany	1.1%	-13.5%	0.8%	-27.2%	-17.1%	14.9%	-10.2%
Vietnam	-20.5%	16.7%	16.9%	5.8%	-17.0%	31.2%	-0.9%
Philippines	3.4%	0.7%	-0.7%	39.9%	51.2%	-1.3%	13.1%
Import by End-Use							
Capital Goods	-15.0%	-11.9%	5.7%	-6.2%	-23.6%	-1.9%	-9.1%
Intermediate Goods	-2.8%	3.2%	20.3%	6.5%	-2.5%	-7.6%	3.8%
Consumption Goods	-11.6%	10.5%	18.9%	10.9%	-5.4%	-0.4%	4.6%

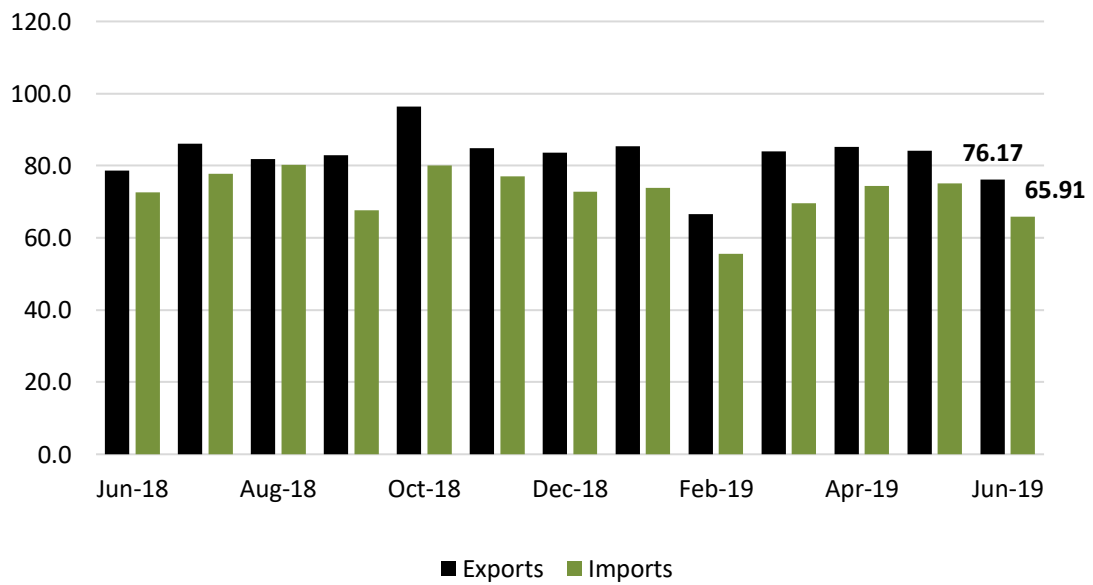
Source: CEIC

Chart 1: Exports and Imports (y-o-y %), Trade Balance (RM Billion)



Source: CEIC

Chart 2: Exports and Imports (RM Billion)



Source: CEIC

Our view

The latest print suggests that Malaysian trade activities have lost its momentum amid cooling demand condition globally. This was premised on the Malaysian Manufacturing Purchasing Manager's Index (PMI) which dropped to 47.6 points in July (June: 47.8 points), falling for ten consecutive months since October last year (49.2 points). According to PMI, purchasing and hiring activities also slowed during July, indicating the business owners were taking a cautious stance.

In addition, negative growth in the E&E related exports which accounted for 36.9% from total exports was the main drag to the overall exports. This was in line with the latest data produced by the International Data Corporation (IDC). According to the IDC, global smartphone shipment contracted by 2.3% in 2Q2019 albeit at a softer pace as compared to -6.6% in the preceding quarter. This marks seven straight quarters of decline since 4Q2017 (-6.3%). With regards to volume, the total shipments declined from 310.8 million in the 1Q2019 to 333.2 million in 2Q2019. This was led by the slump in Apple (2Q2019: -18.2% vs. 1Q2019: -30.2%), Xiaomi (2Q2019: -0.2% vs. 1Q2019: -10.2%) and other brands (2Q2019: -8.0% vs. 1Q2019: -21.5%). However, Samsung recovered during 2Q2019, expanding by 5.5% as compared to -8.1% fall in 1Q2019. Apart from that, South Korea exports, which is the barometer for the technology sector, plummeted by 13.7% in June while in July, it fell 11.0%. As such, the overall technology industries are in a doldrums vindicated by the fall in smartphone's prospects as well as persistent decline in the Global Semiconductor Sales (GSS) for five months in a row (May: -14.6% vs. April: -13.7%). As such, the outlook for exports is very challenging for the 2H2019 in view of the impending hike in the US tariff against USD300 billion of China's import which is set to be imposed on 1 September.

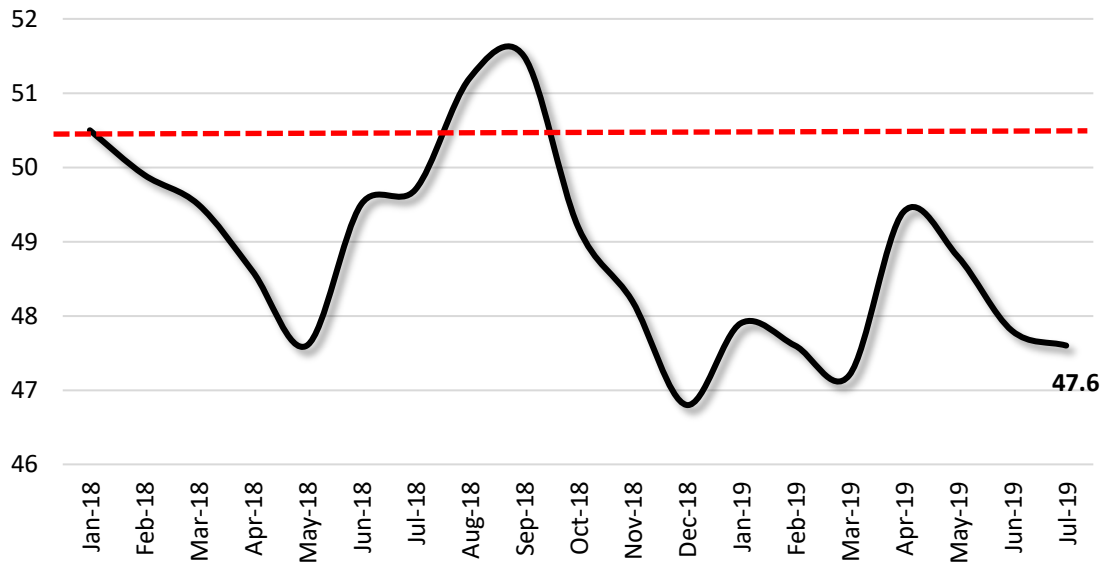
Against such backdrop, we revise our export growth forecast for 2019 from 4.0% to 2.3% (2018: 6.8%).

Table 2: IDC Global Smartphones Shipment in 2Q2019.

Company	2Q19 Shipments	2Q19 Market Share	2Q18 Shipments	2Q18 Market Share	Year-Over-Year Change
1. Samsung	75.5	22.7%	71.5	21.0%	5.5%
2. Huawei	58.7	17.6%	54.2	15.9%	8.3%
3. Apple	33.8	10.1%	41.3	12.1%	-18.2%
4. Xiaomi	32.3	9.7%	32.4	9.5%	-0.2%
5. OPPO	29.5	8.9%	29.4	8.6%	0.3%
Others	103.4	31.0%	112.4	32.9%	-8.0%
Total	333.2	100.0%	341.2	100.0%	-2.3%

Sources: IDC

Chart 3: Malaysia Manufacturing Purchasing Manager's Index (PMI), points



Sources: IHS Markit & Bloomberg

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