

Exports rebounded to 1.1% in April

Facts

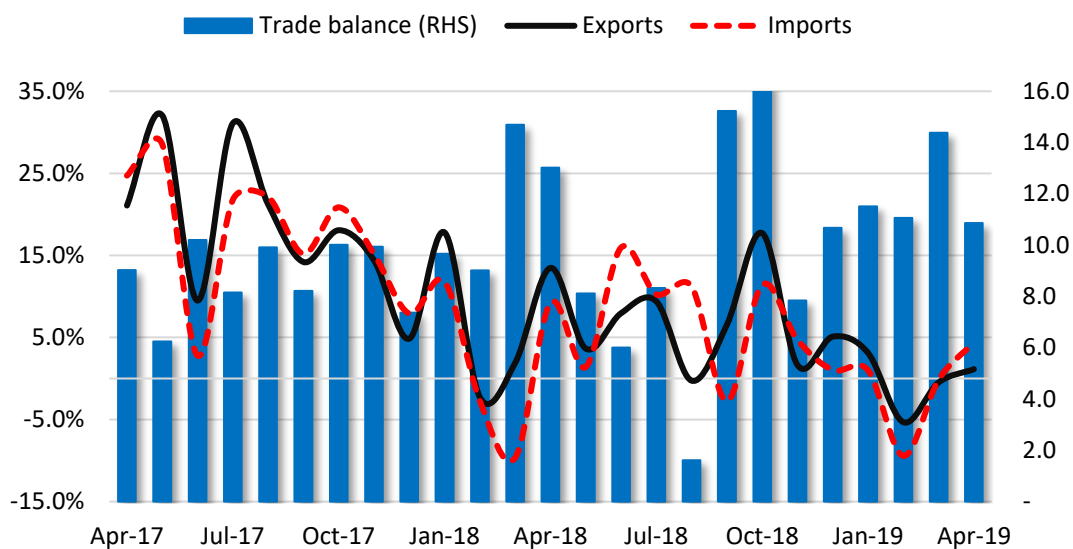
- ✓ Malaysian exports rebounded to 1.1% year-on-year(y-o-y) in April (March: -0.5%), gaining back its momentum after two consecutive months of contraction (Consensus: -2.1%, Bank Islam: -1.5%). Higher overseas sales of Electrical & Electronic (E&E) Products (Apr: 3.9% vs. Mar: -1.9%), Petroleum Products (Apr: 22.3% vs. Mar: 16.2%), as well as Liquefied Natural Gas (Apr: 26.3% vs. Mar: 17.2%) were the main contributing factors for the improvement in the exports' performance. These items accounted for 50.6% of total exports.
- ✓ Upon further scrutiny, electronics items were the main factor for the E&E turnaround. Thermionic Valves & Tubes and Photocells (Apr: 6.9% vs. Mar: 1.8%) and its sub components such as Electronic Integrated Circuits (Apr: 6.4% vs. Mar: 4.5%) and Piezo Electric Crystals & Parts (Apr: 8.7% vs. Mar: -17.9%) improved in April, supporting the sales of E&E products.
- ✓ However, exports of Palm Oil, Includes Crude & Processed and Crude Petroleum plummeted further by 14.8% (Mar: -10.2%) and 34.6% (Mar: -33.5%) in April respectively. Both products contributed for 8.3% of overall exports.
- ✓ With regards to exports destination, shipping to Singapore, US, Japan and Australia rose by 11.3% (Mar: -6.9%), 3.1% (Mar: -3.6%), 7.7% (Mar: -11.3%) and 4.2% (Mar: 2.9%) in April. Nevertheless, overseas shipment to China, European Union (EU) and Philippines fell by 6.9% (Mar: 11.8%), 8.6% (Mar: -5.0%) and 0.7% (Mar: 0.7%) respectively.
- ✓ Similarly, imports increased by 4.4% in April as compared to -0.1% decline in March. This was predominantly attributed by the Intermediate Goods and Consumption Goods, growing at a sharp rate by 20.3% (Mar: 3.2%) and 18.9% (Mar: 10.5%) in April. At the same time, the capital goods expanded by 5.7% in April (Mar: -11.9%) after remained in the contractionary level for seven straight months. Consequently, the trade surplus narrowed from RM14.4 billion in March to RM10.9 billion in April.
- ✓ Cumulatively, the total exports fell in the first four months of 2019 to -0.2% from 7.5% expansion in the same period last year. Similarly, the total imports dropped by 0.7% in 4M2019 from positive growth of 1.7% in 4M2018. Given that, the trade surplus balance widened from RM46.4 billion in 4M2018 to RM47.8 billion in 4M2019.

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

Y-o-Y (%)	Jan-19	Feb-19	Mar-19	Apr-19	4M2018	4M2019
Export	3.1%	-5.3%	-0.5%	1.1%	7.5%	-0.2%
Import	1.0%	-9.4%	-0.1%	4.4%	1.7%	-0.7%
Trade Balance (RM billion)	11.5	11.1	14.4	10.9	46.4	47.8
Export by Product						
Machinery, Appliances and Parts	-1.6%	-6.6%	-9.1%	0.8%	2.8%	-4.3%
Electrical & Electronic Products	8.2%	4.9%	-1.9%	3.9%	14.1%	3.7%
Palm Oil, Includes Crude and Processed	-17.3%	-13.4%	-10.2%	-14.8%	-5.1%	-14.0%
Liquefied Natural Gas	37.5%	8.6%	17.2%	26.3%	-8.5%	23.3%
Petroleum Products	-29.9%	-30.9%	16.2%	22.3%	13.8%	-6.7%
Crude Petroleum	1.1%	-21.8%	-33.5%	-34.6%	11.4%	-24.2%
Optical and Scientific Equipment	6.9%	-17.4%	18.9%	19.5%	8.8%	7.4%
Professional, Scientific & Controlling Instruments	12.0%	-19.1%	21.5%	21.5%	10.3%	9.4%
Rubber Gloves	-3.3%	3.0%	-0.8%	3.8%	3.8%	0.6%
Heating and Cooling Equipment and Parts	-22.0%	0.0%	-22.4%	3.9%	-5.1%	-11.1%
Export by Country						
Singapore	5.3%	-2.9%	-6.9%	11.3%	0.2%	1.9%
China	9.1%	-1.6%	11.8%	-6.9%	5.8%	2.8%
European Union	4.3%	3.7%	-5.0%	-8.6%	8.6%	-1.7%
United States	9.4%	-8.9%	-3.6%	3.1%	3.2%	0.0%
Japan	-5.0%	-2.9%	-11.3%	7.7%	-10.9%	-3.6%
Thailand	17.1%	-4.1%	15.6%	1.2%	13.4%	7.7%
Hong Kong	-7.3%	-13.8%	-11.5%	0.1%	90.1%	-7.7%
Australia	-10.3%	-0.4%	2.9%	4.2%	-9.4%	-1.1%
Germany	-1.2%	1.1%	-13.5%	0.8%	12.1%	-3.6%
Vietnam	-8.6%	-20.5%	16.7%	16.9%	28.8%	1.2%
Philippines	-7.6%	3.4%	0.7%	-0.7%	1.3%	-1.4%
Import by End-Use						
Capital Goods	-3.2%	-15.0%	-11.9%	5.7%	-9.3%	-6.1%
Intermediate Goods	-0.8%	-2.8%	3.2%	20.3%	-10.8%	4.9%
Consumption Goods	3.3%	-11.6%	10.5%	18.9%	1.3%	5.5%

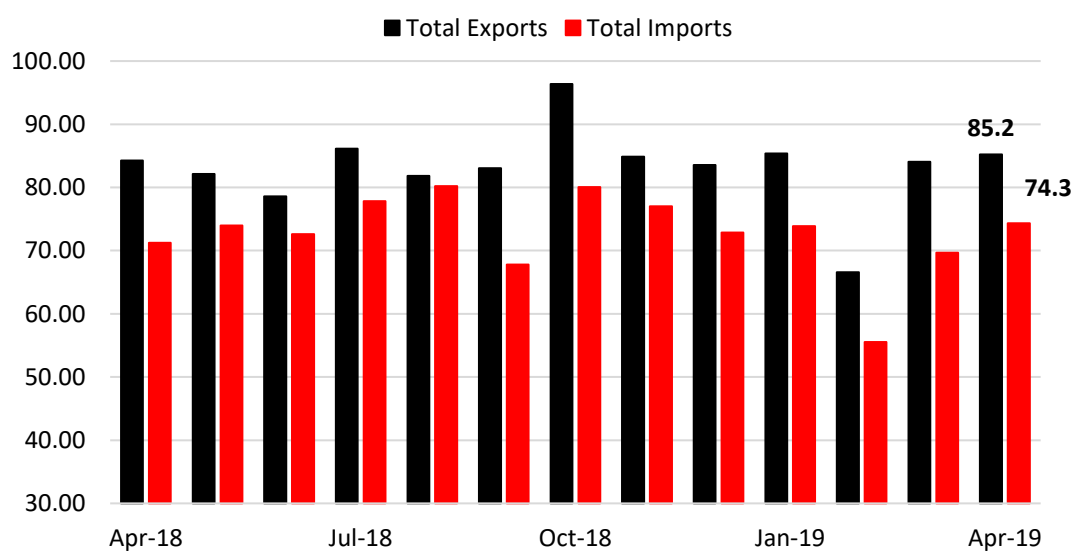
Source: CEIC

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



Source: CEIC

Chart 2: Exports and Imports (RM Billion)

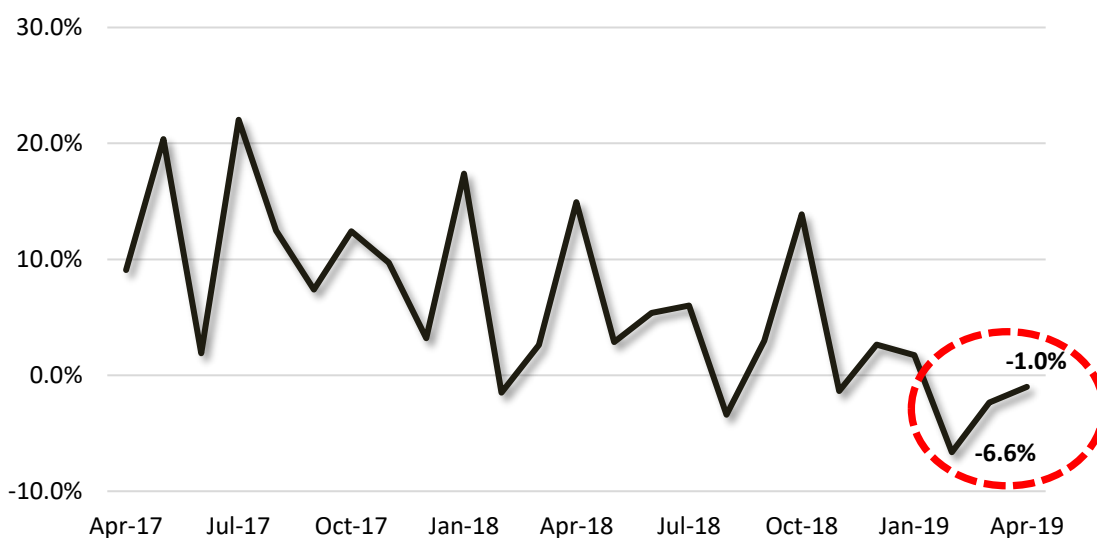


Source: CEIC

Our view

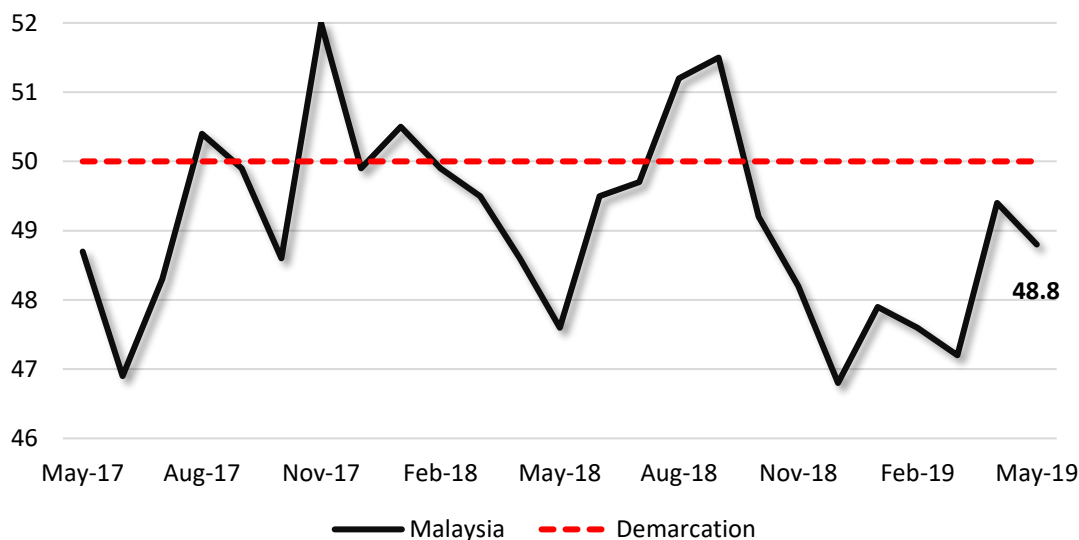
After back to back decline, total export appears to have gain some traction in April 2019. Smaller contraction in Export Volume Index (EVI) from -6.6% y-o-y in February to -1.0% in April suggests that demand condition has improved somewhat. Still, given the headwinds in the global environment such as the escalating trade frictions between the US and China as well as concerns on the cooling demand in the global market, Malaysian economy might not be spared. This was premised on the latest reading of Manufacturing Purchasing Manager's Index (PMI) in May 2019. It declined to 48.8 points in May from 49.4 points in the preceding month, indicating that the business sentiments have been deteriorating for 8 months in a row since October last year. According to the IHS Markit survey, manufacturing firms continued to report a weakening demand environment, especially in the international market. Apart from that, purchasing activities have declined as manufacturers have been focusing on the cost containment measures amid slower production growth in May.

Chart 3: Export Volume Index (EVI) y-o-y%



Sources: CEIC

Chart 4: Purchasing Manager's Index (PMI) for manufacturing



Sources: IHS Markit & Bloomberg

All in all, we anticipate that Malaysia's export growth will continue to moderate in the next few months resulting from the spillover impacts from the unresolved trade disputes between the US and China. As such, **we maintained our 2019 export growth of 4.0% (2018: 6.7%).**

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