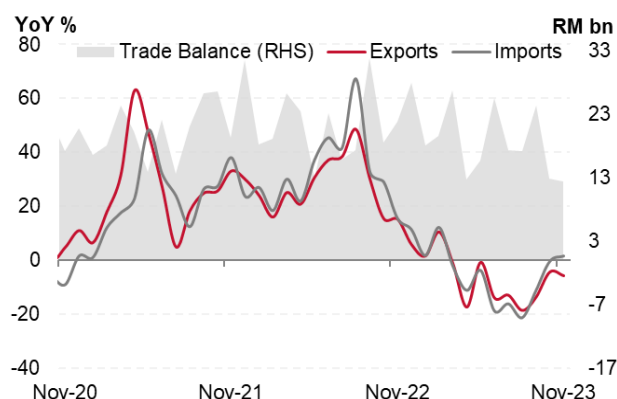


# Malaysia External Trade

November exports decline driven by E&E slump and weak commodity demand

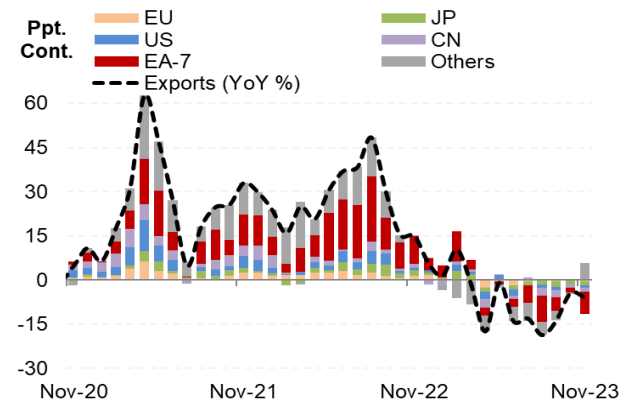
- Exports declined for the ninth straight month in November (-5.9% YoY; Oct: -4.5%). The contraction was smaller than the house forecast (-7.9%) but slightly above consensus estimate (-5.2%)**
  - MoM (-3.2%; Oct: 1.4%): dropped to a four-month low after two consecutive months of expansion.
- Lower shipments to major trading partners and weaker exports of key sectors and products dampened overall export growth**
  - By destination:** exports to major destinations remained subdued, with Japan (-18.3%; Oct: -23.8%) leading, followed by Singapore (-17.0%; -8.2%), the US (-8.5%; Oct: 3.9%) and China (-8.4%; Oct: -7.1%).
  - By sector:** broad-based slowdown led by manufacturing (-6.7%; Oct: -3.6%) and agriculture (-5.5%; Oct: 3.2%) sectors. This was also due to a sharp moderation in the mining (0.5%; Oct: -21.9%) sector.
  - By product:** weighed down by further downtrend in electrical and electronics (E&E) exports (-13.8%; Oct: -2.3%), the largest export product accounting for 44.4% of total exports, as well as continued weakness in commodity-related exports, especially LNG (-14.8%; Oct: -34.9%) and palm oil-based manufactured products (-10.9%; Oct: -0.8%).
- Imports rebounded (1.7%; Oct: -0.3%), charting positive growth for the first time since February 2023, surpassing expectations (KIBB: 0.2%; consensus: -0.6%) due to a lower base effect recorded last year**
  - Positive import growth was driven by higher retained imports (2.2%; Oct: 0.6%) and a marginal rebound in re-exports (0.1%; Oct: -2.2%).
  - By category,** growth bolstered by a strong expansion in capital goods (53.3%; Oct: 8.6%), the highest growth since March 2021. However, the momentum was partially capped by slower growth in consumption goods (8.6%; Oct: -6.4%) and continued weakness in intermediate goods (-5.2%; Oct: -7.9%).
  - Imports fell on MoM (-3.1%; Oct: 13.3%), following a sharp expansion recorded in the previous month.
- Trade surplus narrowed to a 42-month low at RM12.4b (Oct: RM12.9b), below consensus (RM16.5b) but beating our forecast (KIBB: RM11.3b;) as the MoM contraction in exports outpaced imports**
  - Total trade remained weak (-2.4%; Oct: -2.5%), as MoM growth fell by 3.1% (Oct: 6.7%), the lowest in seven months.
- 2023 exports likely to settle below our forecast of -5.7% (2022: 24.9%), with growth potentially rebounding in 2024 on the back of the gradual global recovery**
  - Year to date (Jan-Nov), exports fell by 7.8%, mainly due to subdued export of E&E goods and commodity-related goods amid lower commodity prices and global trade activity, alongside the effect of the high base recorded last year. We expect the export contraction to ease in the near term as the impact of the high base effect diminishes. Despite escalating geopolitical tensions in the Middle East which could disrupt the global supply chain, we maintain a cautious outlook for 2024. Nevertheless, we continue to forecast a 9.4% rebound in exports for 2024, assuming there are no unforeseen shocks to the global economy.
  - Likewise, we expect GDP growth to remain robust in the near term, expanding by 3.7% in the final quarter (3Q23: 3.3%), bringing the full-year growth to settle near the upper end of our forecast range of 3.5% - 4.0% (2022: 8.7%). As we expect the recovery in the external sector to pick up pace in the next six to 12 months, alongside steady and resilient domestic demand, we project GDP growth to expand further to 4.9% in 2024.

Graph 1: External Trade Growth



Source: Dept. of Statistics, Kenanga Research

Graph 2: Exports by Destination



Source: Dept. of Statistics, Kenanga Research

20 December 2023

**Table 1: Malaysia External Trade Growth Trend**

		2020	2021	2022	Nov-22	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23
Total Trade	%YoY	25.9	38.4	1.0	15.3	-16.2	-14.5	-19.9	-12.6	-2.5	-2.4
<b>Trade Balance</b>	<b>RM bil</b>	<b>183.3</b>	<b>253.7</b>	<b>256.2</b>	<b>21.8</b>	<b>25.5</b>	<b>17.4</b>	<b>17.2</b>	<b>24.4</b>	<b>12.9</b>	<b>12.4</b>
<b>Exports</b>	<b>%YoY</b>	<b>-1.1</b>	<b>26.1</b>	<b>24.9</b>	<b>15.1</b>	<b>-14.1</b>	<b>-13.0</b>	<b>-18.7</b>	<b>-13.8</b>	<b>-4.5</b>	<b>-5.9</b>
	%MoM				-1.7	3.7	-5.8	-1.5	8.1	1.4	-3.2
Manufacturing	%YoY	1.1	25.7	22.2	14.5	-9.5	-9.7	-17.7	-11.9	-3.6	-6.7
	Shr	86.3	86.1	84.2	84.6	87.8	86.8	85.4	86.6	85.3	83.8
Agriculture	%YoY	8.7	36.8	23.2	-11.2	-42.3	-28.1	-27.2	-23.1	3.2	-5.5
	Shr	7.3	7.9	7.8	6.8	6.0	6.5	6.6	6.5	7.1	6.9
Mining	%YoY	-28.3	18.9	69.2	62.3	-34.9	-33.6	-23.3	-28.5	-21.9	0.5
	Shr	5.9	5.6	7.6	8.0	5.6	6.3	7.3	6.4	6.9	8.6
Others	%YoY	-40.2	11.5	52.3	9.7	16.7	-38.4	40.0	5.5	27.5	-9.2
	Shr	0.4	0.4	0.5	0.5	0.7	0.4	0.6	0.6	0.8	0.7
<b>Imports</b>	<b>%YoY</b>	<b>-5.8</b>	<b>23.3</b>	<b>31.0</b>	<b>15.5</b>	<b>-18.7</b>	<b>-16.1</b>	<b>-21.2</b>	<b>-11.1</b>	<b>-0.3</b>	<b>1.7</b>
	%MoM				-5.0	-5.2	1.1	-1.6	2.1	13.3	-3.1
Capital	%YoY	-9.4	14.4	15.8	2.7	-12.6	-4.3	5.3	-6.4	8.6	53.3
	Shr	11.3	10.5	9.3	9.0	9.9	10.5	10.9	10.8	11.2	13.6
Intermediate	%YoY	-8.1	27.2	29.5	8.2	-25.3	-20.8	-22.5	-15.2	-8.1	-5.2
	Shr	53.6	55.3	54.6	55.0	48.7	49.2	52.6	49.7	49.3	51.2
Consumption	%YoY	0.0	13.2	24.0	23.8	-11.9	2.8	-5.5	-0.5	9.9	2.2
	Shr	9.3	8.5	8.0	8.8	8.3	8.8	8.7	8.8	8.3	8.9

\*Shr = share to total exports or imports.

Source: Dept. of Statistics preliminary release, Kenanga Research

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Published by:

**KENANGA INVESTMENT BANK BERHAD (15678-H)**

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