

March Exports Reduced Marginally but 1Q24 Exports Turned Around to Grow for the First Time in a Year

- Total trade grew by 5.1% YoY
- Exports growth declined marginally by 0.8% YoY
- Imports increased by 12.5% YoY
- Trade surplus improved to RM12.8bn in March
- 1Q24 trade, exports and imports performance breaks record
- Cautiously optimistic outlook for Malaysia's trade sector

OVERVIEW

Table 1: External Trade Summary - Malaysia

Growth (YoY)	2023	2024YTD	Jan-24	Feb-24	Mar-24
Exports	-8.0	2.2	8.7	-0.8	-0.8
Imports	-6.4	13.1	18.7	8.0	12.5
Trade	-7.3	7.1	13.3	3.2	5.1
Trade Surplus	-16.4	-46.8	-43.9	-42.6	-52.0
Trade Surplus (RM'bn)	214.1	34.2	10.2	11.2	12.8

Source: DOSM, BIMB Securities

Summary

Malaysia's trade performance continued to strengthen in March 2024, corresponded with an increase in imports primarily propelled by capital goods. Total trade showing a 5.1% YoY uptick from RM232.6bn in the previous year to RM244.5bn mainly attributable from the growth in imports of 12.5% YoY or RM12.9bn, reaching RM115.8bn. On the contrary, exports dropped marginally by 0.8% YoY or RM1.0bn to RM128.6bn. The trade balance continuously posted a surplus with RM12.8bn, fell 52.0% as compared to RM26.7bn in the same period of preceding year.

Compared to February 2024, trade, exports and imports in March 2024 recorded double-digit month-on-month (MoM) growth of 15.6%, 15.5% and 15.7% respectively.

For the period of January to March 2024, Malaysia recorded the highest historical first quarter trade, export and import values. In line with the recovery in global trade, Malaysia's 1Q24 trade performance continued its upward trajectory, recording 7.1% YoY growth to RM690.6bn, with a trade surplus of RM34.2bn. 1Q24 exports increased by 2.2% YoY to RM362.4bn, on the back of higher exports of manufactured and mining goods. On the other hand, imports recorded double-digit growth of 13.1% YoY to RM328.2bn due to robust imports of capital and intermediate goods meant for the manufacturing of products for exports.

Table 2: Malaysia's Primary Export (By Major Product)

Growth%(YoY)	Jan-24	Feb-24	Mar-24
Crude Petroleum	17.7	36.3	-7.3
Natural Gas (LNG)	-9.3	16.5	8.4
E&E	-6.5	-9.8	-1.5
Natural Rubber	17.1	32.9	45.9
Palm oil and palm oil-based agriculture products	16.3	-10.8	-22.8

Source: DOSM, BIMB Securities

Table: Msia Key Economic Indicator

	2022	2023	2024F
GDP growth (%)	8.7	3.7	4.7
Unempl. Rate (%)	3.5	3.3	3.3
CPI (%)	3.3	2.5	2.7
OPR (%)	2.75	3.00	3.00
IPI (%)	6.9	0.9	3.5
CPO (RM/MT)	5,161	3,810	3,600
Brent (USD/bbl)	85.9	82.0	85.0
Exports Growth (%)	24.9	-8.0	6.2
Imports Growth (%)	31.0	-6.4	5.8
Trade Surplus (RM bln)	256.2	214.1	252.0
Ringgit per Dollar	RM4.40	RM4.59	RM4.45

Trade performance continued to strengthen in March

Malaysia recorded the highest historical 1Q trade, export and import values

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Exports dropped for second straight month. Exports contracted for the second straight month by 0.8% YoY in March, same rate as in February. Compared to the previous month, exports rebounded by 15.5% (Feb: -9.0%). In 1Q24, exports turned around to grow for the first time in a year by 2.2% YoY (4Q23: -6.9%). The slower performance of Malaysia's export in March 2024 in conjunction with the decline in re-exports by 10.2% YoY to RM24.5bn. On the other hand, domestic exports worth RM104.2bn, contributing 81.0% to total exports rose by 1.7% YoY.

Exports of manufactured goods which took up 85.2% of total exports rebounded by 0.7% YoY (Feb: -2.4%) to RM109.6bn after registering negative growth last month. The expansion was led by higher exports of machinery, equipment and parts (Mar: +12.1%, Feb: +22.1%), transport equipment (+37.4%) and iron & steel products (Mar: +20.3%, Feb: +52.3%). However, a contraction in petroleum products (Mar: -9.9%, Feb: -14.0%), E&E products (Mar: -1.5%, Feb: -9.7%) and palm oil-based manufactured product (Mar: -14.4%, Feb: +4.5%) dragged down the overall performance of this sector.

Exports of mining goods (8.1% share) registered the second consecutive month of y-o-y expansion in March 2024, expanding by 0.2% (Feb: +17.3%) to RM10.4bn primarily supported by an expansion in shipments of liquefied natural gas (LNG), (Mar: +8.4%, Feb: +16.5%) with both export volume and average unit value rising by 6.5% and 1.8% respectively. It fully offset the contraction in crude oil exports (Mar: -7.3%, Feb: +36.9%) that was attributed to smaller export volume (-17.6%) as average unit value rose by 12.5% during the month.

Exports of agriculture goods (6.1% share) in March 2024 were valued at RM7.8bn, a drop of 17.3% YoY (Feb: -5.1%), weighed down by a steeper drop in exports of palm oil & palm oil-based agriculture products (Mar: -22.8%, Feb: -10.9%) that were affected by both average value per unit (-2.4%) and export volume (-20.3%) due to weaker prices of exports.

On a month-on-month basis, overall exports of manufactured and agriculture goods recorded a double-digit expansion of 17.8% and 14.6% respectively, while exports of mining goods shrank by 3.2%.

Exports of manufactured goods in 1Q24 retained its positive trend with 2.4% expansion to RM306.4bn compared to 1Q23. This was on the back of growing exports of iron and steel products, machinery, equipment and parts as well as manufactures of metal. Exports of mining goods climbed 3.7% YoY to RM30.9bn on larger exports of crude petroleum and LNG. On the contrary, exports of agriculture goods contracted by 3.3% to RM22.8bn underpinned by lower exports of palm oil and palm oil-based agriculture products.

In terms of destinations, major export destinations recorded softer demand and negative growth, led by Singapore, EU and China. Shipments to Singapore tumbled by 6.8% YoY (Feb: -15.3%), bringing Malaysia's exports to the ASEAN region as a whole to a contraction of 0.8% (Feb: -5.1%). Exports to China dwindled for the eighth straight month by 2.1% (Feb: -0.4%) while shipments to the EU contracted for two months in a row by 10.3% (Feb: -1.8%). On the other hand, exports to the US continued to improve albeit at a slower pace of 3.0% (Feb: +10.1%), a third month of increase.

Export performance decreased in March 2024 in conjunction with the decline in re-exports

Export growth to key destinations slows with the exception of US

Table 3: Malaysia's Import (By Category)

Growth %(YoY)	Jan-24	Feb-24	Mar-24
Capital	41.8	30.0	66.2
Consumption	25.4	19.7	1.2
Intermediate	21.4	14.2	10.5

Source: DOSM, BIMB Securities

Imports performance remains favorable. Malaysia's imports in March 2024 continued to expand by 12.5% YoY (Feb: 8.0%) or RM12.9bn, to post a value of RM115.8 billion as compared to March 2023. On a month-on-month basis, imports turned around to gain by 15.7% (Feb: -10.8%). In 1Q24, imports increased for the second consecutive quarter by 13.1% YoY (4Q23: +1.3%). The rise in imports by End Use was in accordance with higher demand for capital goods, intermediate goods and consumption goods. Imports of capital goods with a value of RM16.2bn, surged for the sixth straight month by 66.2% (Feb: +30.0%), marking the longest gaining streak since mid-2022, representing 14.0% of total imports. Intermediate goods (51.2% of total imports), valued at RM59.3bn, registered an increase of 10.5% YoY or RM5.6bn. Consumption goods (8.1% of total imports), grew by 1.2% from RM9.3bn in the previous year to RM9.4bn. By sector, imports of manufactured products increased by 10.9%, driven by higher imports of E&E products (+19.9%), petroleum products (+28.5%) and machinery, equipment & parts (+18.6%). Meanwhile, imports of agricultural products increased by 9.4%. However, imports of mining products increased by 21.6% and was propelled by higher crude petroleum imports (+40.7%) and coal, coke & briquettes (+35.9%).

Table 4: Malaysia's Trade Surplus

Growth (RMbn)	2023	Jan-24	Feb-24	Mar-24
Trade Surplus	214.1	10.2	11.2	12.8

Source: DOSM, BIMB Securities

Larger trade surplus. Trade surplus widened to RM12.8bn in March from RM11.2bn in February, the 47th consecutive month of surplus since May 2020, bringing the cumulative trade surplus to RM34.2bn in 1Q24 (4Q23: RM36.9bn).

Mixed global trade performance

Global trade performance were mixed, weighed down by several factors including lower commodity prices, geopolitical uncertainties, high inflation rate and downcycle in the semiconductor sector.

China's exports fell by -7.5% YoY (Feb: 5.6%) in March, the first decline in five months as the export price deflation since May 2023 continued to weigh on total exports in value terms. The producer price index had been in deflation for the 18th straight month (Mar: -2.8% YoY; Feb: -2.7%). Singapore's non-oil domestic exports (NODX) recorded a second consecutive month of sequential contraction (Mar: -8.4% MoM, Feb: -4.9%), translating to a significant -20.7% YoY decline (Feb: -0.2%). March's NODX was dragged by non-electronics products (Mar: -23.2% YoY, Feb: 1.7%), with the decline driven mainly by pharma (-70.3%), chemicals (-37.0%) and structures of ships & boats (-99.8%). Meanwhile, the recovery in the electronics segment continues to face headwinds as March's electronics NODX contracted -9.4% YoY (Feb: +5.2%).

Elsewhere, exports from Taiwan soared 18.9% YoY in March, accelerating from a 1.3% rise in the previous month. It was the sharpest growth in outbound shipments since March 2022. For the first three months of the year, exports

It was the fifth straight month of growth in imports, supported by a rise in purchases in all sectors

Trade balance widened

were 12.9% higher compared to the corresponding period in 2023. Exports from South Korea increased 3.1% YoY, easing from a 4.8% growth in the prior month. It was the sixth consecutive month of export growth but the softest pace in the sequence amid a persistent recovery in semiconductor exports. Sales of chips surged by 35.7%, rising for the fifth straight month.

Table 5: Global Exports Growth

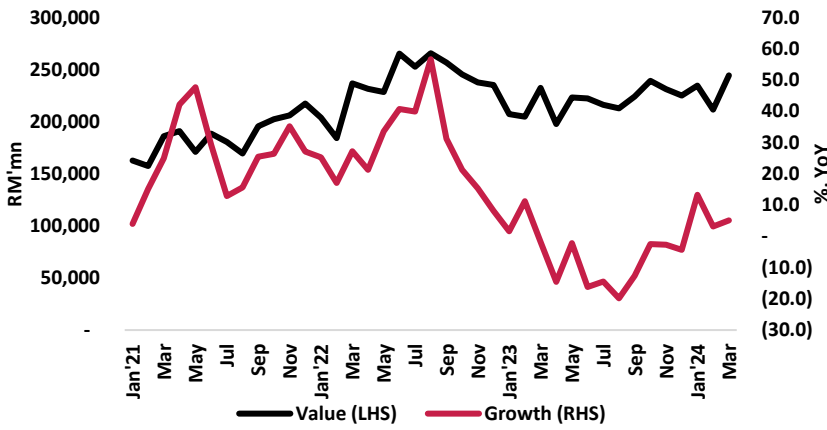
Growth (YoY)	Nov-23	Dec	Jan-24	Feb	Mar
US	0.5	2.6	-0.4	4.1	-
Japan	-0.2	9.7	11.9	7.8	7.3
China	0.7	2.3	8.2	5.6	-7.5
Indonesia	-8.6	-5.8	-8.2	-9.5	-
Malaysia	-6.1	-10.0	8.7	-0.8	-0.8
Singapore	1.0	-1.5	16.7	-0.2	-20.7
Thailand	3.9	3.0	7.2	2.5	-

Source: Bloomberg, DOSM, BIMB Securities

OUTLOOK

Exports contracted for the second straight month by 0.8% YoY in March while imports continued to expand by 12.5% YoY. However, exports in 1Q24 increased by 2.2% YoY on the back of higher exports of manufactured and mining goods whilst imports recorded a double-digit growth of 13.1% due to robust imports of capital and intermediate goods meant for the manufacturing of products for exports. In line with the recovery in global trade, Malaysia's 1Q24 trade performance continued its upward trajectory, recording 7.1% growth with a trade surplus of RM34.2bn. Notwithstanding the second consecutive month of declined in exports in March, other activity indicators have pointed to an improving outlook. In 2024, the year-over-year recovery in trade and exports will be partly driven by base effects given the downturn in 2023 although the sequential recovery could be challenging in 1H24 given tight financial conditions in the US and EU. Overall, we maintain a cautiously optimistic outlook for Malaysia's trade sector. Key risks that we watch are the geopolitical developments such as the rising tensions in the Middle East and higher possibility of tighter monetary conditions among developed economies for a prolonged period amid a challenging economic outlook in China. For now, we expect the rebound in tech demand, unwinding of tight global financial conditions in the later part of the year. Recovery in Malaysia's exports will be backed by turnaround in E&E trade and we expect support to export growth from the bottoming out of the global electronics export downcycle in 2H24. The resiliency in capital and intermediate goods imports suggests that there is an improvement in investment appetite as well.

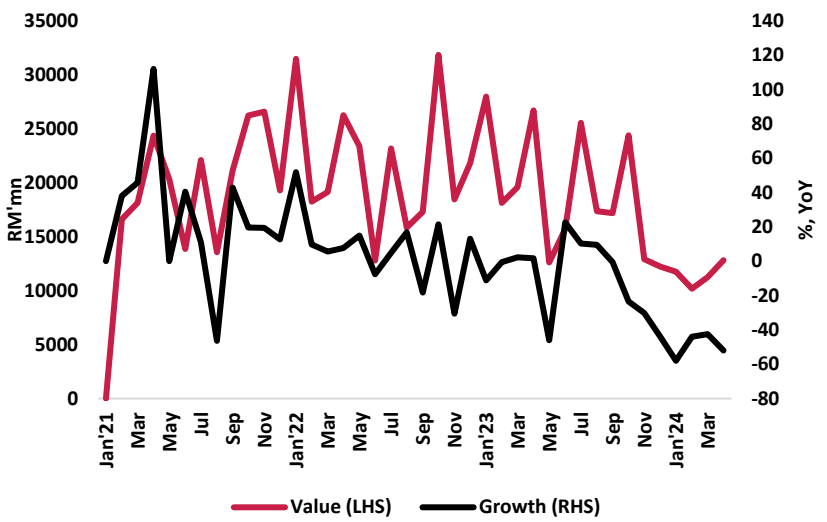
Chart 1: Malaysia Total Trade (January 2021 – March 2024)



Source: DOSM, BIMB Securities

Sustained trade performance

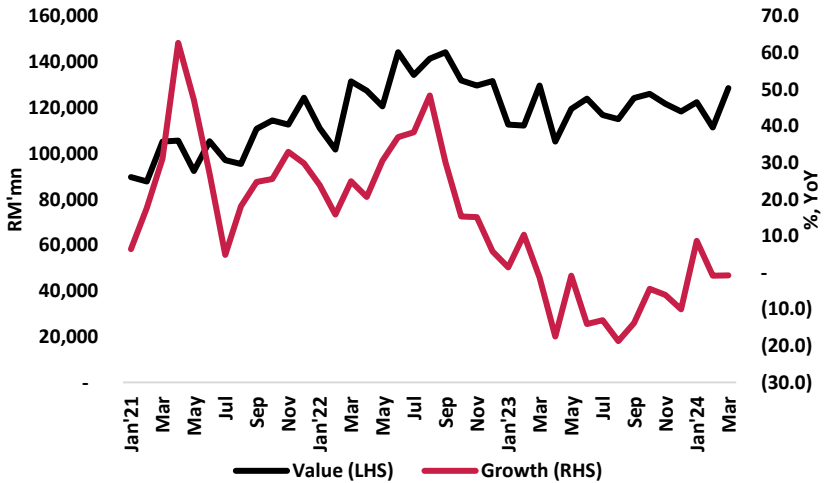
Chart 2: Malaysia Trade Surplus (January 2021 – March 2024)



Source: DOSM, BIMB Securities

Trade surplus widened in March

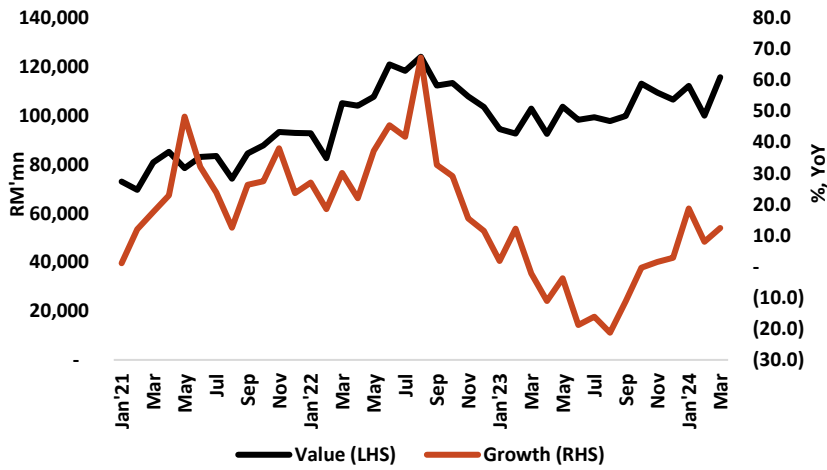
Chart 3: Malaysia Exports (January 2021 – March 2024)



Source: DOSM, BIMB Securities

Exports declined marginally

Chart 4: Malaysia Imports (January 2021 – March 2024)



Import continued to expand

Source: DOSM, BIMB Securities

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BUY	Total return (price appreciation plus dividend yield) is expected to exceed 10% in the next 12 months.
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