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## Exports plummeted again by 1.5% in January

### Facts

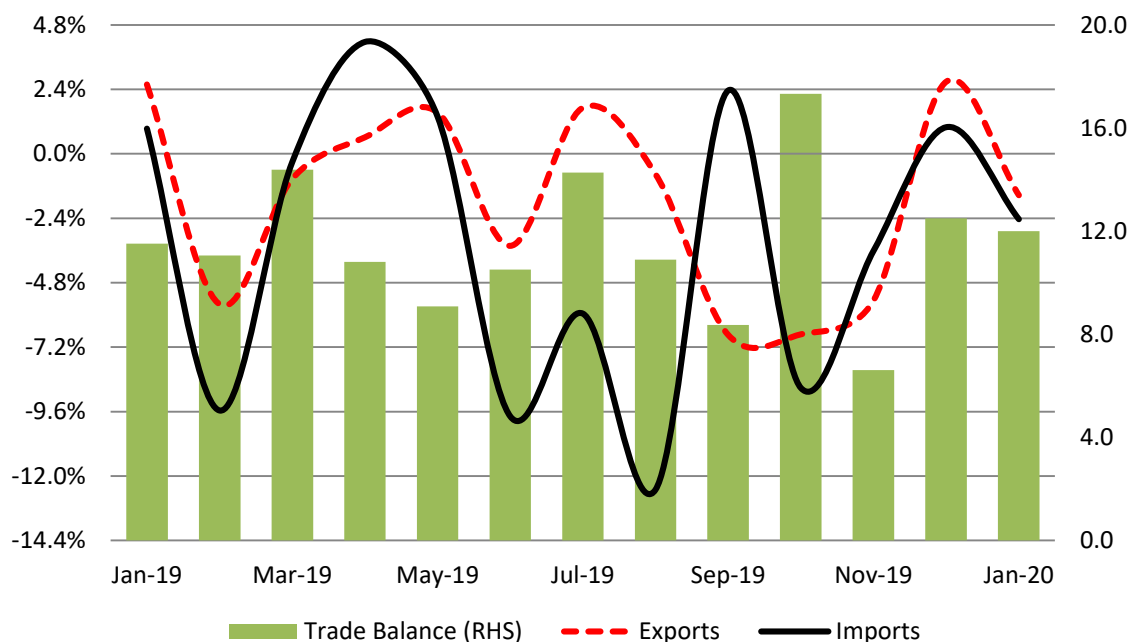
- Malaysia's exports contracted by 1.5% year-on-year (y-o-y) in January 2020 after rebounded by 2.7% in December 2019 (Consensus: -1.6%, Bank Islam: 0.1%). Declining exports were driven by the fall in Electrical & Electronic (E&E) products (Jan 2020: -5.5% vs. Dec 2019: -5.4%), Liquefied Natural Gas (LNG) products (Jan 2020: -22.8% vs. Dec 2019: -21.3%) and Crude Petroleum (Jan 2020: -10.9% vs. Dec 2019: -24.3%). These products accounted for 45.9% of the total exports.
- Within E&E, the decline was led by Electrical Apparatus & Parts (Jan 2020: -10.2% vs. Dec 2019: -1.0%), Telecommunications Equipment, Parts & Accessories (Jan 2020: -7.0% vs. Dec 2019: -0.6%) and Thermionic Valves & Tubes, Photocells (Jan 2020: -1.9% vs. Dec 2019: -0.9%).
- In addition, softer growth was seen in Machinery, Appliances & Parts (Jan 2020: 5.7% vs. Dec 2019: 6.9%), Palm Oil, Includes Crude & Processed (Jan 2020: 1.2% vs. Dec 2019: 20.9%), Optical & Scientific Equipment (Jan 2020: 0.2% vs. Dec 2019: 12.0%) and Professional, Scientific & Controlling Instruments (Jan 2020: 0.5% vs. Dec 2019: 12.6%).
- Notwithstanding, higher exports were seen in Petroleum Products (Jan 2020: 62.0% vs. Dec 2019: 34.9%), Heating & Cooling Equipment & Parts (Jan 2020: 29.8% vs. Dec 2019: 5.4%), as well as Rubber Gloves (Jan 2020: 12.8% vs. Dec 2019: 7.4%). These have cushioned the overall downturn in the headline print.
- Exports performance by region showed that shipments to Singapore, Australia and Philippines edged up by 0.9% (Dec 2019: -2.7%), 7.8% (Dec 2019: -12.0%) and 7.8% (Dec 2019: 1.4%) respectively in January 2020. On the other hand, outward shipments to China (Jan 2020: -5.7% vs. Dec 19: 17.8%), European Union (Jan 2020: -7.4% vs. Dec 2019: -3.8%), Japan (Jan 2020: -1.6% vs. Dec 2019: -13.9%), Thailand (Jan 2020: -19.8% vs. Dec 2019: -7.3%), Hong Kong (Jan 2020: -14.0% vs. Dec 2019: -18.1%), Germany (Jan 2020: -10.3% vs. Dec 2019: -11.7%) and Vietnam (Jan 2020: -16.7% vs. Dec 2019: 12.2%) were seen shrinking.
- On imports, it declined by 2.4% in January 2020 after recovering by 1.0% in the previous month. The contraction was underpinned by the decrease in Capital Goods (Jan 2020: -15.0% vs. Dec 2019: -11.0%) and Consumption Goods (Jan 2020: -1.0% vs. Dec 2019: 3.2%). Meanwhile, Intermediate Goods posted a modest growth of 3.7% in January 2020 from 6.2% in December 2019.
- Consequently, trade surplus narrowed from RM12.5 billion in December 2019 to RM12.0 billion in January 2020.

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

Y-o-Y (%)	Jun-19	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19	Jan-20
Export	-3.4%	1.7%	-0.8%	-6.7%	-6.7%	-5.5%	2.7%	-1.5%
Import	-9.8%	-6.0%	-12.5%	2.4%	-8.7%	-3.6%	1.0%	-2.4%
Trade Balance (RM billion)	10.5	14.3	10.9	8.4	17.3	6.6	12.5	12.0
<b>Export by Product</b>								
Machinery, Appliances and Parts	-10.9%	6.0%	7.6%	6.8%	3.5%	6.0%	6.9%	5.7%
Electrical & Electronic Products	-6.5%	4.5%	-7.4%	-12.2%	-3.2%	-11.6%	-5.4%	-5.5%
Palm Oil, Includes Crude and Processed	2.2%	-10.8%	16.7%	-6.6%	-9.3%	-2.6%	20.9%	1.2%
Liquefied Natural Gas	6.1%	31.3%	-11.2%	-1.8%	-17.1%	-35.9%	-21.3%	-22.8%
Petroleum Products	6.9%	3.2%	7.7%	-14.7%	-27.2%	-19.0%	34.9%	62.0%
Crude Petroleum	31.7%	-45.7%	-40.2%	-45.8%	-50.5%	-23.4%	-24.3%	-10.9%
Optical and Scientific Equipment	-5.2%	-2.3%	-12.3%	12.8%	17.6%	11.9%	12.0%	0.2%
Professional, Scientific & Controlling Instruments	-4.4%	-1.6%	-13.1%	15.4%	19.7%	12.7%	12.6%	0.5%
Rubber Gloves	-19.8%	-7.5%	-5.0%	-3.2%	-14.1%	1.0%	7.4%	12.8%
Heating and Cooling Equipment and Parts	1.1%	20.0%	17.4%	5.4%	25.5%	5.2%	5.4%	29.8%
<b>Export by Country</b>								
Singapore	-1.2%	3.5%	-7.2%	-11.6%	4.1%	-11.9%	-2.7%	0.9%
China	-10.7%	3.8%	-2.8%	-3.0%	-11.0%	4.1%	17.8%	-5.7%
European Union	0.7%	-2.8%	5.3%	-10.8%	-5.2%	-4.3%	-3.8%	-7.4%
United States	8.4%	7.9%	6.8%	6.6%	2.7%	6.5%	15.1%	9.5%
Japan	-13.6%	-6.3%	2.5%	-1.7%	-20.1%	-16.0%	-13.9%	-1.6%
Thailand	-4.4%	-2.4%	-8.4%	-4.3%	-18.2%	-14.6%	-7.3%	-19.8%
Hong Kong	-25.2%	2.5%	-15.4%	-26.5%	0.1%	-21.1%	-18.1%	-14.0%
Australia	-11.2%	-14.8%	-27.4%	-19.5%	-50.3%	-8.2%	-12.0%	7.8%
Germany	-17.1%	4.0%	-13.0%	-6.1%	-3.1%	-2.0%	-11.7%	-10.3%
Vietnam	-17.1%	6.4%	24.7%	-5.4%	-1.9%	-11.0%	12.2%	-16.7%
Philippines	50.8%	17.0%	-1.8%	-4.2%	-2.3%	3.7%	1.4%	7.8%
<b>Import by End-Use</b>								
Capital Goods	-24.5%	-14.0%	-30.9%	7.0%	-11.5%	-4.4%	-11.0%	-15.0%
Intermediate Goods	-3.6%	-3.4%	-13.8%	11.1%	-5.1%	1.8%	6.2%	3.7%
Consumption Goods	-5.6%	-5.0%	-12.8%	15.1%	-5.0%	1.9%	3.2%	-1.0%

Sources: CEIC, Bank Islam

**Chart 1: Exports (y-o-y %), Imports (y-o-y %) & Trade Balance (RM million)**



Sources: CEIC, Bank Islam

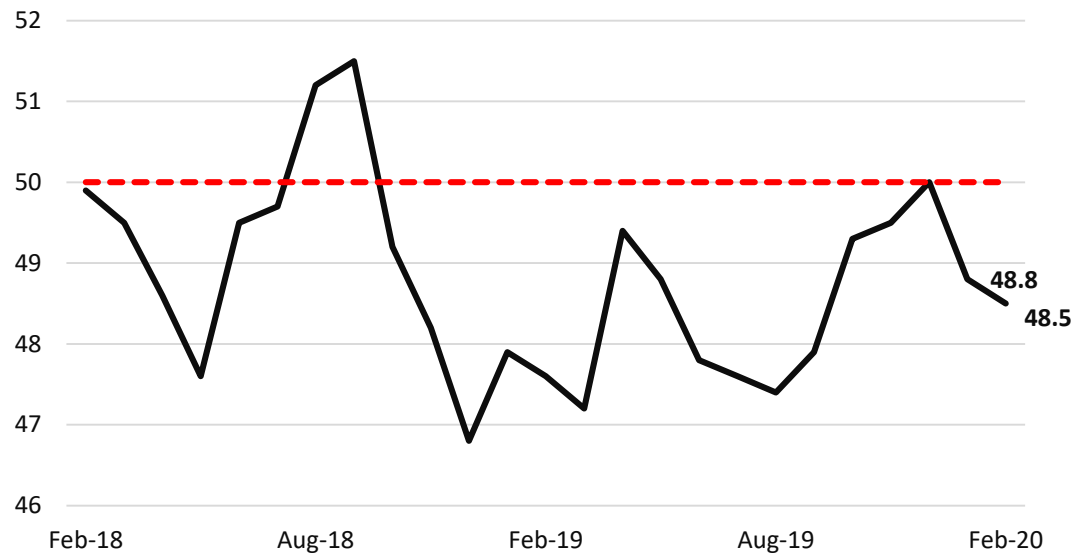
### Our view

The latest exports print suggests that Malaysian economy is vulnerable to the external headwinds especially the E&E related sector. Other jurisdictions have also exhibited similar trend. Singapore's Non-Oil Domestic Exports (NODX) has deteriorated for the eleventh straight months (January 2020: -3.3% vs. December 2019: -9.2%) with electronic products (15.6% of total domestic exports) slumped for fourteen straight months (January 2020: -13.0% vs. December 2019: -21.3%). At the same time, India's export contracted by 1.7% in January from 1.8% fall in the preceding month. Its non-oil exports, which accounted for 87.3% of total exports declined by 2.3% in January, extending the 1.3% drop in the previous month.

Apart from that, Malaysia's Manufacturing Purchasing Manager's Index (PMI) has declined from 48.8 points in January to 48.5 points in February, indicating pessimistic view among the business community. According to the survey, manufacturers faced a challenging environment during February as delivery of key materials from China was disrupted by the Covid-19 outbreak. This was in tandem with the latest circular news mentioned that the breakdown of China-based electronics supply chains resulting from the Covid-19 has delayed the arrival of computers and smartphones in shops.<sup>1</sup> The delivery times of the computers and parts is expected to lengthen by three times from the normal business operations. Apart from that, slower demand conditions especially from overseas have affected export sales and causing new export orders to fall significantly. Consequently, the demand and supply shock have dented the manufacturing sector performance during the month of February.

<sup>1</sup> <https://www.ft.com/content/72742872-5c31-11ea-b0ab-339c2307bcd4>

Chart 2: Malaysia Manufacturing Purchasing Manager's Index (PMI), points



Source: Bloomberg

As of 3 March 2020, there were 90,870 confirmed cases and 3,112 deaths reported by the World Health Organization (WHO), in which 10,556 cases and 166 deaths recorded outside the China. This was higher as compared to 153 confirmed cases and 1 death reported on 3 February 2020 (Outside China). We anticipate that the prolonged virus outbreak could further dampen our international trade performance. As such, we will continue to monitor the impact of the Covid-19 outbreak to Malaysian economy as we believe the next exports print in February will likely to disappoint us.

In addition, political instability in Malaysia seems to have taken a breather after Tan Sri Muhyiddin Yassin has been appointed to be Malaysia's eighth Prime Minister, replacing Tun Dr Mahathir Mohamad. The next parliament sitting has also been postponed to 18 May which originally scheduled on 9 March. This could allow some room for the Prime Minister to form its cabinet lineup and be able to implement policies more effectively.

All in all, **we revised down our exports growth forecast between 0.8% and 1.0% in 2020 from 1.8% to 2.0%**, assuming that the Covid-19 outbreak will recover in 2H2020.

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