

Malaysia's trade deficit for services hit historic level at RM47.4b

MALAYSIA recorded its highest trade deficit for services in 2020 of RM47.4 billion, which was attributable to the unprecedented challenges brought by the Covid-19 pandemic, said the Department of Statistics Malaysia.

The total trade in services for the year amounted to RM232.7 billion, contributing 16.1% to GDP at current prices, said chief statistician Datuk Seri Dr Mohd Uzir Mahidin (picture).

"The highest trade deficit in services was owing to the Covid-19 pandemic that has brought significant challenges in economic activities globally, and the impact is more severe than the SARS epidemic in 2003," he said in a statement yesterday.

Exports of services recorded for the year were significantly lower at RM92.6 billion compared to RM170.2 billion the previous year due to the disruption in the key services components such as travel and transport.

Meanwhile, imports of services also decreased to RM140.1 billion against RM181.1 billion in 2019, relatively a slower decline than services exports.

Mohd Uzir said the other business services segment was the catalyst for services exports with RM27.1 billion recorded in 2020. However, the segment saw a 7.6% decrease from the previous year amid the lockdown measures in many countries that affected technical and trade-related activities.

"Comparatively, imports of this component decreased faster than exports by 9.3% to RM29.8 billion, contributing to a smaller deficit of RM2.8 billion.

"The subsequent leading component was the transport segment with exports value of RM13.7 billion in 2020, plunged 37.1% against the previous year due to the significant drop in air transport," he said.

Air transport, which heavily relies on air passengers, plummeted 72.3% as a repercussion from global travel limitations to contain the spread of the coronavirus.

"The upturns in sea freight, post and courier were in line with the increasing consumers' online shopping behaviour since the enforcement of movement restrictions in 2020.

"Indeed, travel, the mainstay of Malaysia's services trade all this while, had faced a challenging situation which led to the highest deficit in 2020."

Mohd Uzir added that the travel sector has been the hardest-hit industry during the Covid-19 pandemic as it turned to a deficit of RM7.7 billion, the first time in 30 years, from a surplus of RM30.8 billion in 2019.

Malaysia recorded 4.3 million international tourists in 2020, a significant decrease of 83.4% compared to the previous year following the border closure and travel restrictions imposed by countries across the world.

On the upside, services that undergo accelerated digital transformation performed much better during this Covid-19 crisis as telecommunications, computer and information services saw windfall opportunities throughout 2020.

Exports of this component rose by 7.9% to RM13.4 billion, while imports rose by 14.8% to RM16.8 billion due to the spike in subscriptions of streaming services, especially for online movies, said Mohd Uzir.

“This can be seen through a substantial increase among Asian Netflix subscribers which recorded 25.5 million compared to 16.2 million the previous year.

“Besides that, personal, cultural and recreational services posted higher exports at RM2.4 billion, an increase of 3.1% against the exports in 2019,” he explained.

Comparing the export destination, Mohd Uzir said the US overtook Singapore in being the top destination of services exports with RM24.8 billion, mostly in manufacturing and other business services.

Mohd Uzir added that Singapore, which was the leading market for exports since 2010, became the second top destination with RM18.9 billion, pulled by exports of travel.

This was followed by the UK, Hong Kong and China, which collectively amounted to RM15.4 billion in 2020.

“Businesses have prepared to stay agile and competitive by adopting new strategies aligned with new norms after going through a tough time last year.

“Based on the Economic Outlook 2021, Malaysia’s trade in services is projected at a deficit of RM30.9 billion with the well-planned implementation of Movement Control Order by considering the downside risk in response to the Covid-19,” he said.

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