

Malaysia exports down 14.1% in June as orders for manufactured goods slip

Economists expect trade performance to remain weak in second half of the year due to a high base effect and slower global demand



Malaysia's total trade declined 16.3 per cent year on year to RM222.1 billion in June. PHOTO: EPA-EFE

MALAYSIA'S exports plunged 14.1 per cent year on year (yoy) in June to RM124 billion (S\$36 billion), dragged down by lower shipments of manufactured goods, the Department of Statistics Malaysia (DOSM) said on Thursday (Jul 20). The double-digit decline in exports was steeper than May's 0.7 per cent contraction. The fall was also steeper than the earlier projection of 13.6 per cent by 13 economists in a recent Reuters poll. This was the fourth straight month Malaysian exports had declined. Exports started shrinking in March, after growing 9.8 per cent in February.

Malaysia's imports in June fell 18.9 per cent from the year before to RM98.2 billion, exceeding economists' projection of a 16.5 per cent decline. In June, Malaysia's total trade shrunk 16.3 per cent yoy to RM222.1 billion, although the country continued experiencing a trade surplus of RM25.8 billion, 11.3 per cent higher than a year earlier. Economists expect the trade performance to continue on this weaker track in the second half of

the year due to a high base effect and slower global demand.

In a research note on Thursday, UOB economists Julia Goh and Loke Siew Ting said global demand has yet to show signs of rebounding, given that pent-up demand in consumer spending is being suppressed by elevated living costs.

Goh said: "This has led to a downcycle in the semiconductor sector, and moderation in global commodity prices will cause lower price earnings for commodity exports."

MIDF Research shared a similar view, noting that the "trade outlook is less encouraging than last year" due to the limited boost from China's recovery, coupled with weaker global manufacturing activities and slower demand.

"While (the) external slowdown will be a drag on economic growth, we are sanguine that increased domestic spending and sustained growth on the domestic front will be the main growth driver this year," said MIDF in a note on Thursday.

For the full year, MIDF Research projects Malaysia's exports and

imports to decline by 3.4 per cent and 1.9 per cent, respectively. UOB expects exports to fall 7 per cent in 2023.

DOSM'S report showed that the shipments of all key economic sectors declined in June. The manufacturing sector – contributing to nearly 88 per cent of total exports – experienced a steep decline of 9.5 per cent yoy to RM108.8 billion in June.

"The decrease was driven by lower shipments of petroleum products: palm oil-based manufactured products, chemical products and manufacture of metal products," said DOSM.

Mining products decreased by nearly 35 per cent yoy to RM6.9 billion, due to lower exports of liquefied natural gas (LNG) and crude petroleum.

Shipments of agriculture products declined 6 per cent yoy in June to RM7.4 billion, following shrinking exports of palm oil products.

"Nevertheless, exports of electrical and electronic products – constituting nearly 44 per cent of total exports – rose 3.2 per cent to RM54.1 billion," said DOSM.

Exports to Singapore – the highest contributor to Malaysia's exports – dropped 0.9 per cent to RM21.1 billion, due to lower shipments of petroleum products.