External trade slumps in August

Concerns raised about outlook, which may affect economic growth

ECONOMY

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PETALING JAYA: An economist has urged the Investment, Trade and Industry Ministry (Miti) to explain its next course of action as Malaysia's total trade continues to be in a downward trend for about a year.

Geoffrey Williams, an economics professor at the Malaysia University of Science and Technology, raised concerns about the poor trade outlook, considering that trade is a major contributor to economic growth.

In 2022, trade is valued at 141% of the national gross domestic product (GDP).

The country's trade outlook appears sluggish at least for the next few months as major trading partners, including China, struggle with weak macroeconomic and demand conditions.

In August, Malaysia's exports to the Top 3 markets – Singapore, China and the United States – contracted on a month-on-month (m-o-m) basis.

The total trade value also contracted for the third straight month.

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"The high visibility investment approvals announced by Miti do not offset poorer trade because they are approvals and not actual investments, while trade is a real, day-to-day flow of economic value-added.

"Miti has to answer questions about the trade performance and if anything can be done," Williams told *StarBiz*.

He made the comment after the Statistics Department reported that Malaysia's total trade slumped by 19.8% year-on-year (y-o-y) to RM213.01bil in August, amid slower global demand and lower commodity prices.

Exports were lower by 18.6% y-o-y to RM115.16bil and imports edged down by 21.2% y-o-y to RM97.85bil.

In a note, MIDF Research said that slightly more than 75% of the decline in exports was attributable to lower exports of electrical and electronic (E&E), crude and refined petroleum products as well as palm oil and palm oil-based products

It is noteworthy that exports contracted after three months of growth, attributable mainly to the decline in semiconductor exports.