

Economists raise 2022 export forecasts after Malaysia's record 2Q showing

BY SYAFIAH SALIM
theedgemarkets.com

KUALA LUMPUR (July 20): Malaysia's exports rose 38.8% year-on-year in June to RM146.16 billion, driven by strong demand for electrical and electronic (E&E) products, petroleum products, liquefied natural gas as well as palm oil and palm-oil based agriculture products, prompting economists to raise their full year 2022 export forecasts even as they caution of the possibility of slower growth momentum in the second half of 2022.

The expansion is the 11th consecutive month of double-digit growth for the country's exports — above the 20.1% rise forecast in a Reuters poll, and higher than Bloomberg's 21.2% consensus expectation — and up from the 30.5% growth posted in May.

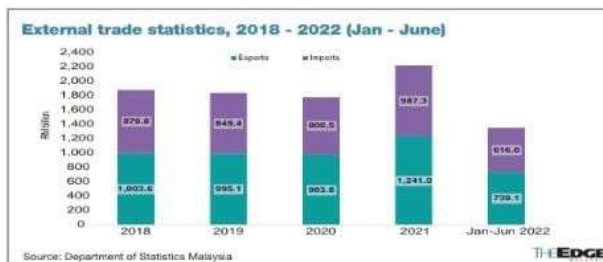
The stronger export showing came as exports to most major trading partners, notably Singapore, US, European Union (EU) and Japan recorded double-digit growths. Singapore registered the highest export value increase of RM9 billion, followed by RM3.9 billion to the US, RM3.5 billion to the EU, and RM3.1 billion to Japan.

Total trade for the month rose 43.4% y-o-y to RM270.39 billion — the 17th consecutive month of double digit growth — while imports jumped 49.3% y-o-y to RM124.23 billion. The increase in imports were driven by petroleum products (up RM11.7 billion); E&E products (up RM9.3 billion); transport equipment (up RM2.6 billion) and crude petroleum (up RM2.6 billion). As imports grew faster than exports, trade surplus declined a marginal 0.8% y-o-y to RM21.93 billion.

On a month-on-month basis, trade expanded by 18.4%, exports grew 21.3% and imports rose 15.2%, while trade surplus expanded 72.7%.

With the June figures, total trade for the second quarter of 2022 grew 32.7% to RM730.36 billion compared with 2Q2021. Exports climbed 30% y-o-y to RM394.24 billion and imports increased 36.1% y-o-y to RM336.13 billion. "This was the highest quarterly value for total trade, exports and imports thus far. A trade surplus of RM58.1 billion was recorded for the period, shrinking by 10.6%," according to a statement from the Department of Statistics Malaysia.

For the first half of 2022, total trade grew 28.2% to RM1.355 trillion from 1H2021, exports rose 26.1% to RM739.13 billion, while imports grew 30.9% to RM616.00



billion; consequently, trade surplus climbed 6.7% to RM123.13 billion.

Slower global growth could hurt Malaysia's trade outlook

Despite the strong 1H2022 growth, economists are wary that slower global growth could hurt Malaysia's trade outlook for the second half of the year.

Risks could come from weaker global demand amid rising global inflation, a possible sharp slowdown in the US due to aggressive monetary tightening and a shortage of raw materials or supply chain disruption, besides weak recovery in China following the Covid-19 lockdowns there earlier this year.

The drag could come from the E&E and commodity sectors, they said.

In particular, UOB Global Economics & Markets Research economists Julia Goh and Loke Siew Ting pointed out that the near-term outlook for Malaysian palm oil exports is clouded, with the recent sharp decline in crude palm oil prices (CPO).

"The rapid fall in CPO prices has also prompted contract renegotiations between CPO traders and buyers who are taking the deliveries now. However, surging supplies in global top exporter Indonesia and its removal of export levy for all palm oil products until Aug 31, 2022 could further depress CPO prices and affect Malaysia's palm oil shipments over the next few months," they wrote in a note Wednesday.

Locally, foreign labour shortage will further constrain manufacturers' production capacity even as demand remains decent, the duo added.

RHB Research economist Chin Yee Sian, meanwhile, highlighted that June data had already shown some signs of slowing momentum in exports to the US and China. "The momentum of outbound shipments to Chi-

na [has been] trending downwards since the beginning of the year amid slower economic activities in China due to continued implementation of strict containment measures.

"To recap, China GDP growth has contracted by 2.6% in 2Q22 (0.4% y-o-y) compared with the last quarter. The emergence of a more infectious strain of Covid-19's Omicron variant as reported in some major China's cities is likely to lead to higher uncertainties," Chin wrote in a separate note.

Nevertheless, UOB and MIDF raised their 2022 export growth forecast after factoring in the robust 26.1% growth in 1H22. UOB raised its export forecast to 18% from 8% previously, while MIDF upgraded it to 20.9% from 16.9%. MIDF also raised its imports forecast to 25.6% from 19.2%.

"We expect growing external demand for E&E and commodities, particularly palm oil and petroleum products, to drive overall exports growth this year, and the firm imports growth will continue on the back of continued improvement in domestic economic activities," the MIDF wrote in another note.

RHB is expecting a full-year export growth of 21.9%. "We opine that uncertainties in the global landscape might taper the upward momentum of the trade performance. We expect Malaysia's exports to register a full-year growth of 21.9% with slower export growth expected in 2H2022, affected by a bleaker global economic outlook," Chin added.

Read also:

Malaysia posts highest quarterly trade, export, import values — DOSM

Ringgit ends marginally lower against US dollar on July 20