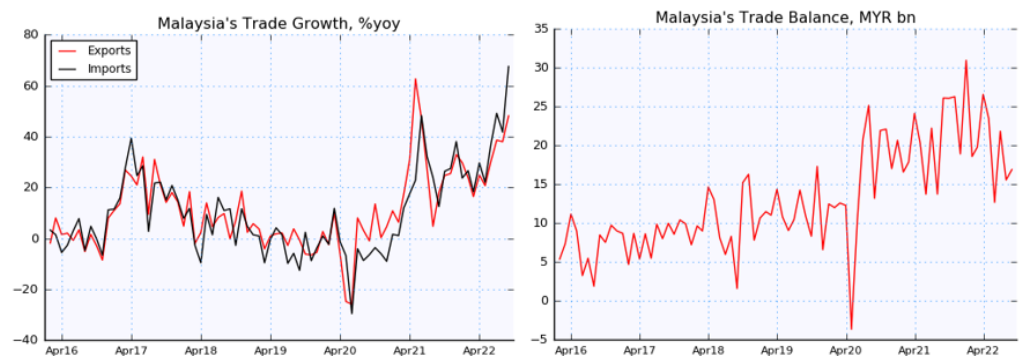


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The Right Direction

Malaysia’s August trade numbers surprised on the upside

- “You turn if you want to. The lady’s not for turning!”, the former UK PM Margaret Thatcher once said, in response to pressure for her to walk back on her pervasive economic liberalization drive. As it happens, the same motto can be said of Malaysia’s trade prints in recent months.
- Faced with the spectre of global slowdown, we had been cautious of a potential downtick in Malaysia’s export prints, predicated on relative softness in semiconductor and commodities. As it turns out, the sector has stayed resilient and may yet support the overall growth for a while longer.
- Compared to July’s 38.0% yoy and expectation for 34.3% increase, the August exports came in at a strong 48.2% yoy. The details are telling, in that the electrical and electronics segment (i.e. semiconductors) grew by a hefty 8.3% mom (vs. -10.2% before) and 48.5% yoy (vs. 35.2% before). Meanwhile, the exports of petroleum products grew by a momentous 180.3% yoy.
- The strength in the exports beat was overshadowed by the uptick in imports, however, which grew at a record-high 67.6% yoy in July, much higher than the 48% expected and 41.9% of the prior month.
- Here, the details matter too. While consumer goods imports stayed strong, it was not where the action was. Rather, the intermediate goods comprised the bulk of the imports, portending well for the manufacturing sector’s pipeline in the coming months.
- Despite the record imports surge, trade balance remained well in the surplus territory, at MYR16.92bn, fatter than the 15.05bn expected and 15.49bn of July. Even if it might not feel like it, with the USDMYR level hitting higher levels recently, such solid external performance is supportive.
- Overall, growth may yet post another quarter of good print in Q3 if such trade dynamics can persist, lending support for the increasing enthusiasm among the ruling party elites to call for an election sometime soon. While the election is not due until a year from now, the drumbeat is getting louder with the PM appearing to acquiesce to internal party urgings recently.



Source: OCBC, Bloomberg, CEIC.

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