

KERATAN AKHBAR

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Economic recovery to boost trade performance

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MALAYSIA'S trade performance is poised to benefit from the global post-pandemic economic recovery amid uncertainties such as persistent supply chain disruptions.

Malaysia, being an open economy, has shown resilience in its trade performance throughout the pandemic thanks to the government's measures and policy responses.

Visibly, the country's trade performance in the first half of 2022 has continued its uptrend owing to strong external demand.

The growth was also driven by Malaysia's transition to the endemic phase and reopening of international borders, which have eased supply chain flows and human mobility.

The country's trade performance has been coping well, registering 24 consecutive years of trade surplus since 1998.

As a matter of fact, in 2021, the country's total trade was exceptional, posting the highest year-on-year growth of 24.9% since 1994, surpassing the RM2 trillion mark for the first time in history.

Malaysia also recorded all-time high values for its exports and

imports for the year, driven by robust external demand and higher commodity prices.

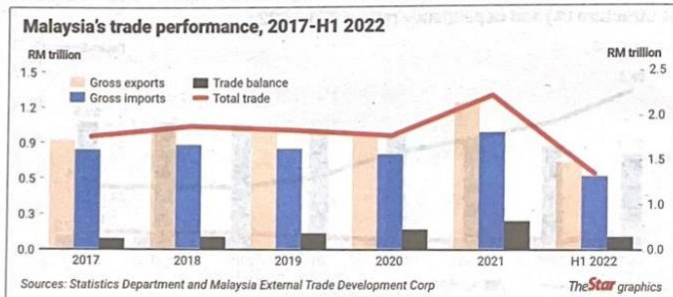
Evidently, the structure of Malaysia's trade has been evolving over the past decades, from agriculture and mining-based to strong manufacturing-led sectors.

The country aims to be a leading exporter, particularly in electrical and electronic (E&E) products. Since 2000, it has been a major exporter of other key non-E&E products, including petroleum products, chemicals and chemical products, as well as manufacturers of metal.

The manufacturing sector contributes the highest share with over 80% of the country's overall exports.

But the country continuously explores new sources of growth including advanced E&E, aerospace, biomass, pharmaceuticals, digital economy and the chemicals and chemical product industry.

All these new sources of growth are expected to add value to upstream and downstream activities to further diversify Malaysia's exports and productive imports that will boost overall trade performance.



Covid-19 has, undoubtedly, implicated trade and overall economy on an unprecedented scale.

But Malaysia's trade had been trending down even before that due to the US and China trade war that escalated starting July 2018, with the US imposing high tariffs and trade barriers on China.

After moderating at 6.3% in 2018, Malaysia's total trade subsequently contracted by 2.1% in 2019.

The adverse impact of the trade war on Malaysia's trade performance is mainly because both China and the US have always been among Malaysia's major trading partners.

Almost 50% of Malaysia's exports are incorporated into China's final products, which China subsequently exports to the US.

Notwithstanding the trade war effects, Malaysia stood to benefit in the short term, arising from trade diversion when the US and China substituted their demand for imports from each other to other emerging markets, including Malaysia.

Also, multinational corporations (MNCs) opted to relocate their operations to circumvent the high tariffs, with some MNCs choosing Malaysia.

This led to an increase in manufacturing investments and generat-

ed trade and investment spillovers into the country.

Meanwhile, as a result of strict movement control orders since mid-March 2020, Malaysia's total trade contracted by 3.3% in 2020, with exports and imports declining by 1.1% and 5.8%, respectively.

Malaysia's trade performance was severely affected and in April 2020, it recorded its first trade deficit of RM4.5bil since November 1997.

But the silver lining from the pandemic was advantageous to some of Malaysia's exports, notably the E&E and rubber sectors, which benefited from surging demands.