

KERATAN AKHBAR

TARIKH : 24 JANUARI 2023
AKHBAR : NEW STRAITS TIMES
MUKA SURAT : 19

'Momentum to continue this year'

TRADE OUTLOOK

'MOMENTUM TO CONTINUE THIS YEAR'

Swift reopening of China's economy to ease supply chain issues, says Franklin Templeton

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MALAYSIA may be able to maintain its trade momentum this year despite the expected global recession, said economists.

They said while global trade would be hampered by the expected downturn in the United States and Europe, the reopening of China — Malaysia's largest trading partner — would be a boost in particular.

Malaysia's trade with the world should also receive an economic jolt from the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) and

Regional Comprehensive Economic Partnership (RCEP).

Franklin Templeton vice-president and portfolio manager of emerging markets equity Edward Pang said the swift reopening of China's economy would ease supply chain issues and normalise regional economic activity.

"This may partially offset the anticipated recession in the US and European Union. We believe that Malaysia's neutral status in the ongoing global trade tensions is a golden opportunity for it to capture a bigger slice of the pie. Specifically, it is well placed to benefit from a "China Plus One" (C+1) strategy in the electrical and electronics (E&E) industry.

"The E&E industry in Malaysia has an established ecosystem of



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ancillary industries, supported by a pool of talent with multilingual capability. We are witnessing semiconductor companies in Malaysia expanding their products and services portfolio, putting great efforts to move up the value chain and moving towards the Fourth Industrial Revolution direction," he added.

Universiti Kuala Lumpur Business School economic analyst Assoc Prof Aimi Zulhazmi Abdul Rashid agreed that it would be "undeniably hard" for Malaysia to maintain last year's explosive trade growth with the global recession around the corner.

"But if we can maintain the trade value, it will be good for the country's economy. Certainly, China's reopening will be a great boost," he added.

According to International

Trade and Industry Ministry data, Malaysia's trade surpassed RM2 trillion for the second consecutive year last year, with exports expanding 25 per cent to RM1.55 trillion and imports soaring 31.3 per cent to RM1.29 trillion.

Trade surplus increased by 0.6 per cent to RM255 billion, representing the 25th consecutive year of surplus since 1998.

Aimi said besides RCEP, Malaysia was poised to explore new markets following the ratification of the CPTPP in November.

"The new markets include Canada, Peru and Mexico, which are removing the key import duties in line with the trade agreement."

Canada was removing duties on 96.6 per cent of its tariff lines,

Mexico was offering duty-free treatment on 80 per cent of its tariff lines, and Peru had eliminated duties on 86.2 per cent of its tariff lines, he added.

Putra Business School Assoc Prof Dr Ahmed Razman Abdul Latiff said Malaysia's exports to the RCEP markets would increase this year.

He also said local manufacturers had started to reduce import of raw materials and components due to possible weaker demand for their products.

On concerns about the EU ban on palm oil products, Ahmed Razman said the bloc comprised less than 10 per cent of Malaysia's export market.

"The impact from the EU restriction will be minimal for now unless other countries follow suit," he added.