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Malaysia's exports likely to experience slower growth

ECONOMY

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PETALING JAYA: Malaysia's exports are expected to see slower growth amid a weaker global economy this year.

Shipments to advanced economies, which are facing rising recession risks, are expected to weigh on Malaysia's trade, according to economists.

However, this will likely be offset by the expected recovery in demand from China, which has fully reopened its economy from the lifting of the zero-Covid-19 policy.

January export had shown signs of weakening, with growth coming in at 1.6% year-on-year (y-o-y), below market expectation of a 7.4% y-o-y gain, and after expanding 5.9% y-o-y in the previous month.

The slower growth was due to fewer working days and milder global demands for goods.

Import growth slowed to 2.3% y-o-y in January from 11.5% y-o-y in December 2022. Overall, trade surplus narrowed 2.1% to RM18.16bil.

Hong Leong Investment Bank Research (HLIB) said the export growth was buoyed mainly by shipments of petroleum products and liquefied natural gas.

"Malaysia's trade momentum is expected to weaken going forward, constrained by the slowdown in final demand from major advanced economies," HLIB wrote in its report yesterday.

"Nevertheless, the reopening of China's economy and its potential spillover impact on commodity prices and diversification of Malaysia's export is expected to provide some cushion to offset the slowdown," it added.

PublicInvest Research said the balance of risks to the country's trade performance remained skewed to the downside, due to heightening global uncertainties, arising from increasing risk of recessions in advanced economies, increased inflationary pressures and tightening financial conditions, as well as escalation of geopolitical tensions.

"Given that Malaysia's trade exposure to China and Taiwan accounts for around 22% of its total export, the friction between the two nations might potentially further exacerbate the issue in the future.

"However, we believe that the negative spillovers from the weakening global environment will be partially offset by China's full reopening in 2023, although the near-term pronounced positive impacts may be limited," PublicInvest Research said.

The brokerage projected growth in real export to remain positive at 3.3% y-o-y in 2023 as compared with 12.8% y-o-y for 2022, while growth in real import was expected to slow to 4.8% y-o-y in 2023 from 14.2% y-o-y in 2022.

"Despite the sustained performance of selected exports and domestic-oriented industries in 2022, there are still downside risks to the sustainability of Malaysia's trade performance in the coming months, especially the trend in output of electrical and electronic (E&E) products.

"Nonetheless, we believe that E&E will continue to boost trade, with electric vehicle and solar-related products serving as the driving force," PublicInvest Research said, adding that it expected Malaysia's real gross domestic product (GDP) growth to moderate to 3.8% y-o-y this year from 8.7% y-o-y in 2022.

Meanwhile, CGS-CIMB Research said it expected weaker trade activity in the first half of 2023, with export expected to decline 1.8% y-o-y.

It maintained its GDP forecast at 4.4% y-o-y for 2023.

"Despite optimism in business activity in China following the economic reopening, S&P Global highlighted in China Caixin purchasing manager index's note that the pandemic and subdued market conditions continue to impact business operations and customer demand," CGS-CIMB Research said.

"On the upside, Indonesia tightened its palm oil export policy since January 2023 to ensure more domestic supply. This may provide room for Malaysia to increase its share of the global palm oil export market," the research house added.