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'Global slowdown may derail momentum'

TRADE PERFORMANCE

'GLOBAL SLOWDOWN MAY DERAIL MOMENTUM'

Economists believe domestic demand will be key driver of economic growth this year

AZANIS SHAHILA
KUALA LUMPUR
bt@nst.com.my

MALAYSIA kicked off 2023 with a commendable trade performance, but economists warn that the momentum may not last for long given the looming risk of a global slowdown.

They said the country's total trade, which grew 1.9 per cent year-on-year to RM207.5 billion in January, remained robust although export growth moderated sharply to a 27-month low.

"Malaysia's export performance is commendable, on the back of high base last year as well as uncertainties over global eco-

nomics prospects," Employees' Provident Fund head of economics and research Afzanizam Abdul Rashid told the *New Straits Times*.

He said Malaysia's well-diversified exports such as refined petroleum and liquefied natural gas registered robust growth along with positive expansion in electrical and electronics (E&E)-related shipments.

"Nonetheless, it remains to be seen whether such momentum will continue, especially in the face of a global slowdown this year. As such, we believe domestic demand will be the key driver of economic growth this year."

Malaysia kept its trade momentum intact with total trade, exports and imports registering the



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highest monthly value for January.

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Trade surplus amounted to RM18.16 billion, a drop of 2.1 per cent. This marked the 33rd consecutive month of trade surplus since May 2020.

Exports to major trading partners, notably Asean and Japan, recorded a double-digit growth.

Compared to December 2022, trade, exports, imports and trade surplus contracted by 11.8 per cent, 14.4 per cent, 8.6 per cent and 35.5 per cent, respectively,

due to shorter working days and long festive holidays.

Kenanga Research said the 1.9 per cent total trade growth was the lowest since April 2020 (-19.1 per cent year-on-year), reflecting a slower growth momentum amid subdued demand.

"Growth slowed due to subdued demand from major trading partners and weak shipment in the key export sector."

Kenanga Research noted that the moderation reflects a slowdown in trade activity at the start of 2023. The firm has kept its 2023 export growth forecast at 5.8 per cent, after a 25 per cent growth last year.

"Although January's exports may reflect seasonal factors due

to the festive season and shorter working days, we still expect growth to moderate in the coming months amid the normalisation of economic activities and the diminishing effect of the lower base last year."

Meanwhile, MIDF Research said despite weaker-than-expected trade figures in January, it has maintained its projection for exports and imports to expand slower this year at 9.2 per cent and 9.5 per cent, respectively.

"The moderation in growth will reflect the effect of high base last year, but the positive growth indicates continued rise in external demand for E&E and commodities, particularly petroleum and palm oil," the firm added.