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## China reopening contributes to Malaysia's export strength

**KUALA LUMPUR:** CGS-CIMB Securities Sdn Bhd reckons the strong February exports by Malaysia could be partly due to China's strong turnaround in its Caixin manufacturing purchasing managers index (PMI) data, signalling improvement in its economic reopening.

The research firm viewed that although the latest sales data by Semiconductor Industry Association marked a month-on-month 5.2% decline in January 2023, China has the largest market share in semiconductors at 31.5%, which could provide positive spillover effects towards global demand.

"Another contributing factor to Malaysia's export strength in February is the low base effect as Chinese New Year was in January 2023 (versus February in 2022)," it said in a note.

Among the major exports, electrical and electronics (E&E) products were valued at RM44.27 billion and accounted for 39.4% of total exports, which increased by 11.7% from February 2022.

According to the Department of Statistics, Malaysian exports of E&E products to China grew 27.7% year-on-year in February 2023, with China becoming Malaysia's second-highest

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» Outlook for trade balance remains positive in near term, surplus remains sizeable at RM37.7b in first two months of 2023: Research house

export destination country.

Looking ahead, CGS-CIMB expects the overall outlook for Malaysia's 2023 trade balance to be still positive in the near term.

On a cumulative basis, the trade surplus remains sizeable at RM37.7 billion in the first two months of this year, compared to RM38.4 billion in the corresponding period in 2022.

"We believe this will be a positive support for Malaysia's current account to achieve our forecast 2.1% of gross domestic product (GDP) for

2023," it said.

Meanwhile, Moody's Analytics said China's recovery will be gradual with a slow acceleration of consumer spending and investment expected to lead the way.

The housing sector may add some heft by the second half as liquidity is directed to developers so that various stalled projects can be completed. Manufacturing for exports is the wild card in China's outlook and depends upon the stability of demand from North

America and Europe.

It said the second quarter should mark the beginning of a rebound in the Asia-Pacific (Apac) region's economy, led by the reopening economies of China and Hong Kong.

"While the currently available data remain weak, China's official manufacturing and non-manufacturing PMI indexes and their components have all rebounded above the 50 neutral mark, indicating rising expectations.

"Recent data for China's industrial production, retail sales and fixed-asset investment all showed growth, if modest, over the year," it said in Apac Outlook 2023: China's Rebound Is on Track commentary.

Additionally, Moody Analytics said the strongest was for investment spending, although it is still

dominated by the 10.5% year-over-year growth among state-owned enterprises - indicative of the effect of government fiscal stimulus to kick-start the economy this year.

Year-on-year private-sector investment growth slowed slightly in the January/February period to 0.8% from 0.9%.

Finally, retail sales in China rebounded well in the January and February period, particularly for services including catering, entertainment and transport.

"This mimics the pattern seen elsewhere in 2022 when economies around the world reopened following Covid-19. Spending on goods remains soft; indeed, auto sales have plummeted partly because of the end of subsidies offered for electric vehicles," it added. - Bernama