

# Drop in exports 'not surprising'

By **Ashiqin Ariffin** - August 21, 2023 @ 8:40am



A possible bright spot is higher semiconductor demand, with a recovery in semiconductor sales expected in 2024. NSTP/AIZUDDIN SAAD

KUALA LUMPUR: Economists says the double-digit drop in exports in July came as no surprise with all major indicators signalling a prolonged slowdown in external trade for 2023.

A possible bright spot is higher semiconductor demand, with a recovery in semiconductor sales expected in 2024.

The Ministry of Investment Trade and Industry announced last Friday that total trade fell by 14.4 per cent to RM216.41 billion affected by softer global demand and lower commodity prices.

Exports declined by 13.1 per cent to RM116.75 billion and imports contracted by 15.9 per cent to RM99.66 billion.

Bank Muamalat Malaysia Bhd chief economist and head of social finance Mohd Afzanizam Abdul Rashid said a gloom trade outlook is expected especially after

Global Purchasing Managers Index (PMI) for manufacturing remaining below 50 points for 11 months straight, signalling a prolonged slowdown.

"The weaknesses in China's real estate is taking a toll on their economy, leading to more policy responses by the authorities, especially their central bank. "The critique is that the authorities seems to not be doing enough to provide stimulus. In that sense, China's underperformance could reverberate into various parts of the world," he told the New Straits Times.

Afzanizam however pointed out that there could be a bright spot within the exports sector as World Semiconductor Trade Statistics (WSTS) forecasted growth of 11.8 per cent in 2024 for semiconductor sales from an estimated 10.3 per cent contraction in 2023.

"This would benefit Malaysia as the smart devices demand would translate into higher demand for semiconductors," he added.

University Kuala Lumpur business school economic analyst Assoc Prof Dr Aimi Zulhazmi Abdul Rashid said the latest trade performance report does not come as a surprise as the country's trade performance continues to be on a downward trend since early this year.

"The highlight is that the E&E formed the biggest segment of our export in July with 43.2 per cent (RM50.45b), which is mainly destined to our major trading partners like the USA and China, that saw an uplift of 2.2 per cent and 6.1 per cent respectively," Aimi said.

On other factors affecting Malaysia's trade, he said the continuous tightening of the monetary supply since last year by most of the central banks in the world have now borne a mighty impact in slowing down the global trade.

"However, the hawkish outlook of the rates increased still persists in the background, providing gloomy outlook for the rest of the year," he added.

Malaysia University of Science and Technology economist Dr Geoffrey Williams said the trade performance came within expectations because of headwinds that have affected all major markets in the global economy.

"So exports have slowed significantly but imports, especially imports of intermediate goods for re-export, have also fallen so because of this the trade balance is still positive but adding less to overall growth than before," he said.

On ringgit fluctuations, Williams said it affects prices in foreign currency to overseas buyers, nonetheless he emphasised that the prices can be kept low through efficiency and competition between Malaysian exporters.

CME chief executive officer Dr Carmelo Ferlito believes the global economic slowdown, and China's economic slowdown in particular, has affected Malaysia.

"Malaysia needs to move fast to reshape its international partners portfolio in order to revamp its international trade," he said.