



No significant impact of outbreak on Malaysian economy expected as threat is only temporary and will be contained, says MIDF Research. — REUTERSPIX

Coronavirus impact on M'sian ports seen minimal

THE SUN / SUN 8/2 / PG 13

PETALING JAYA: The novel coronavirus impact on Malaysian ports is expected to be minimal since importers and exporters can seek substitutes in Asia especially in Asean, according to MIDF Research.

While the coronavirus outbreak could lead to a 0.7% decline (or about six million containers) in global port throughput for 2019, the research house still believes that Malaysian ports could navigate through the headwinds.

It said Malaysian ports such as Port Klang's Westports Holdings Bhd has a 63.4% contribution from intra-Asian trade lanes which it opine will be supported by Asean trade. As such, importers in Malaysia could temporarily source their supplies from other production bases around Asean such as Vietnam.

"Aside from that, according to our automotive analyst, components sourced from China are not extremely complex in nature. Hence, substitution should not be too much of an issue and could continue supporting

container throughput at Malaysian ports in the wake of the full-blown coronavirus outbreak," MIDF said in a sector update.

"At this juncture, we do not foresee any significant impact of the outbreak to Malaysian economy as we believe the threat is only temporary and will be contained."

MIDF's economics team maintain its full year gross domestic product, export and import growth forecast for FY20 at 4.5%, 1.5% and 0.8% respectively which will also propel the container throughput growth at Malaysian ports.

The research house has also deduced that the SARS outbreak did not derail the performance of Malaysian ports back then. Nevertheless, times have changed.

"We must note there was an absence of the trade tariffs imposed by the US in 2003. Moreover, China's exposure to the global economy has evolved tremendously over the past 17 years, growing from the world's sixth largest economy to the second biggest today

behind the US."

As for Malaysia, 17.2% of Malaysia's total trade was contributed by China in 2019. In addition, China surpassed Singapore as Malaysia's largest export destination after being the second largest export market since 2012 with total exports of RM139.6 billion in 2019.

It maintained its neutral call on transportation but is optimistic for ports.

"We remain optimistic on Malaysian ports given their strategic location along major trade lanes and the economic prospects of the Asean region. Furthermore, we opine that seaborne trade which transports capital goods, textiles and footwear will remain resilient compared to air trade."

MMC Corp Bhd is its top pick for port operators due to its stable of ports commands more than 50% of the container market share in Malaysia and the strength of its listed associates Gas Malaysia Bhd and Malakoff Corp Bhd.