

CAUTIOUS OUTLOOK ON TRADE GROWTH

Analysts cite Russia-Ukraine crisis, Covid-19 development, slowdown in China

KUALA LUMPUR

MALAYSIA'S external trade numbers for last month continue to surprise on the upside, driven by a jump in mining exports on top of stronger electrical and electronics (E&E) shipments, said analysts.

They, however, are cautious about the outlook in the coming months due to external developments.

MIDF Research said last month's strong numbers showed that Malaysia, as a commodity-exporting country, stood to benefit from the higher commodity prices.

But it is still cautious on the outlook given the extended Covid-19 pandemic lockdown, slowdown in China and the Russia-Ukraine war.

"The near-term outlook for production and trade can be constrained by prolonged disruption in the global supply chain and increased inflationary pressure.

Nevertheless, we opine the continued expansion in demand for E&E and commodities will support the overall export outlook.

"Moreover, the reopening of economies will facilitate growing trade activity this year."

MIDF Research has kept its export and import growth projections for this year at 7.8 and 9.6 per cent, respectively.

INFO BOX

27.3pc

Growth of Malaysia's total trade year-on-year to RM236.6 billion last month

Malaysia's total trade grew faster than expected at 27.3 per cent year-on-year to new monthly high of RM236.6 billion last month.

Export growth jumped 25.4 per cent year-on-year (February: 16.8 per cent year-on-year), above MIDF Research and market expectations.

This was backed by strong demand for E&E products and commodities, particularly liquefied natural gas, crude and refined petroleum, and palm oil and palm oil products.

Import grew an even faster 29.9 per cent year-on-year (February: 18.4 per cent year-on-year).



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"Sustained double-digit growth in imports for the 14th straight month reflects higher purchases of foreign goods in line with expanding domestic economic activities," said MIDF Research.

Kenanga Investment Bank Bhd (Kenanga Research) expects Malaysia's trade activity to moderate in the coming months as the base effect dissipates and trade activity normalises.

The trade growth will also be capped by the Russia-Ukraine crisis, Covid-19 development and China's zero-Covid policy.

Nonetheless, it said adverse effects were expected to be limited

given Malaysia's export diversification and robust demand from key trading partners.

"Therefore, we maintain the first quarter gross domestic product growth at 5.7 per cent, bringing the overall 2022 growth to 5.0 to 5.5 per cent," said Kenanga Research.