

# Malaysia Macro Flash

## Nov Trade Surplus Rebounds on E&E; Tweaking 2015 Forecasts

- **Nov trade surplus rebounds on strong sequential decline in imports** — Nov exports rose 2.1%YoY (Oct: -3.2%), higher than consensus expectations (-0.7%YoY). Imports rose 0.1%YoY (Oct: 9.1%), lower than consensus (8.3%YoY). Our own X-12 seasonal adjustment shows a sequential increase in exports (Nov: 4.0%MoM SA, Oct: -2.5%) and a sequential fall in imports (Nov: -10.1%MoM SA, Oct: 12.3%). The trade surplus rebounded strongly to RM 11.13bn (Oct: 1.15bn).
- **E&E exports increase sequentially, but LNG, crude petroleum and palm oil exports fall sequentially** — E&E exports rose 7.1%YoY (Oct: -4.3%) and 10.1%MoM SA (Oct: -3.0%), with Oct-Nov seasonally-adjusted levels now 3.9% above average 3Q levels. LNG exports fell 4.5%YoY (Oct: 9.7%) and 3.5%MoM SA (Oct: 7.6%) as the decrease in volumes outweighed the increase in average value of LNG exports. Oct-Nov levels are now 8.6% above average 3Q levels. Exports of crude petroleum rose 12.5%YoY (Oct: 2.5%) but fell 0.4%MoM SA (Oct: 1.3%), with Oct-Nov export levels 7.9% below average 3Q. Palm oil exports fell 14.7%YoY (Oct: -8.1%) and 2.7%MoM SA (Oct: -22.5%) with Oct-Nov levels 16% below avg. 3Q.
- **Broad based MoM fall in imports** — Imports of capital goods fell 1.4%MoM SA (Oct: 18.5%), with Oct-Nov levels 3.5% above 3Q14. Declines were seen in intermediate (Nov: -14.6%MoM SA, Oct: 13.6%) and consumption goods (Nov: -4.5%MoM SA, Oct: 5.0%), but Oct-Nov levels stayed 4.3% and 1.5% above 3Q.
- **Improvement in trade surplus led by E&E, and surprisingly oil** — Of the RM10bn MoM rise in the trade surplus, RM6.8bn was due to a rise in EE trade surplus, and RM2.3bn swing in oil balance to a RM1.5bn surplus (due to a fall in imports). These offset a RM0.7bn and RM0.1bn fall in palm oil and gas surplus respectively.
- **4Q14 CA surplus of 4.5-5% of GDP; tweaking 2015 forecasts** — With concerns of a 4Q CA deficit exaggerated, we expect the 2014 CA surplus to remain respectable at 5.3% of GDP (Prev: 5.7%). We revise down our 2015 CA surplus forecast to 4% of GDP (Prev: 4.5%) This is only partly on [lower forecast of crude oil prices](#). More importantly, we assume [modest declines in LNG export prices](#), but even so Japan's import prices of LNG from Malaysia have yet to decline significantly, as of Oct data. Weaker MYR and a US recovery may also support manufacturing exports while curbing imports. [Given our inflation forecast cut to 2.6% in 2015](#), we no longer expect an OPR hike in 2015. While \$60/bbl Tapis crude would be consistent with a higher-than-budgeted fiscal deficit of around 3.2% of GDP, this could be offset by higher-than-expected GST revenues - 300K companies have registered for GST vs the budget assumption of 140k. On the back of likely cuts in O&G spending, we also shave our 2015 GDP forecast to 5% (Prev: 5.3%).

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**Wei Zheng Kit**

+65-6657-5079

[wei.zheng.kit@citi.com](mailto:wei.zheng.kit@citi.com)

**Kim Leng Yap**

[kim.leng.yap@citi.com](mailto:kim.leng.yap@citi.com)

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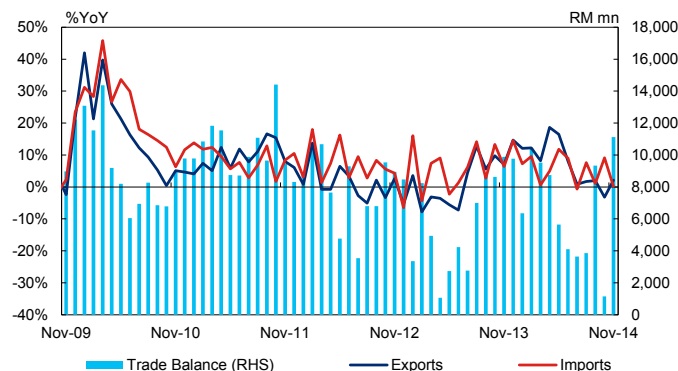
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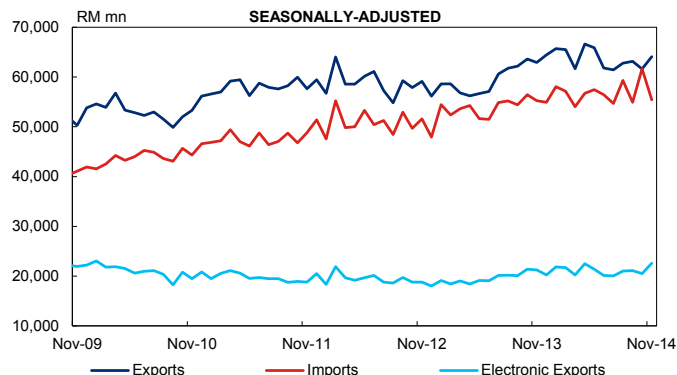
## Details

Figure 1. Export & Import Growth (%YoY), Trade Balance



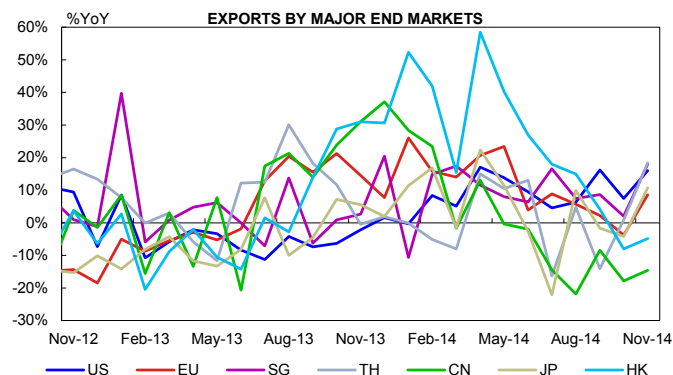
Source: CEIC, Citi Research

Figure 2. Exports, Electronic Exports and Imports



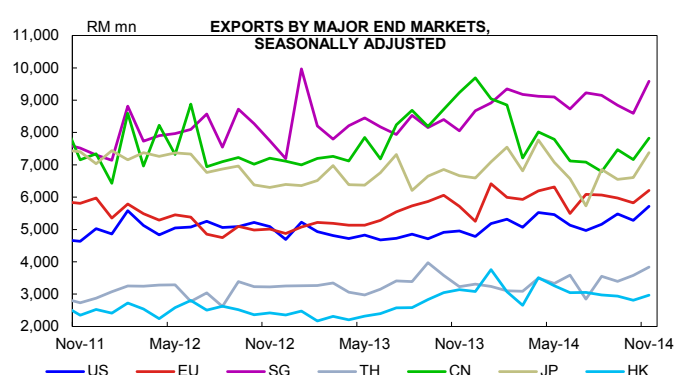
Source: CEIC, Citi Research

Figure 3. Exports to major markets (%YoY)



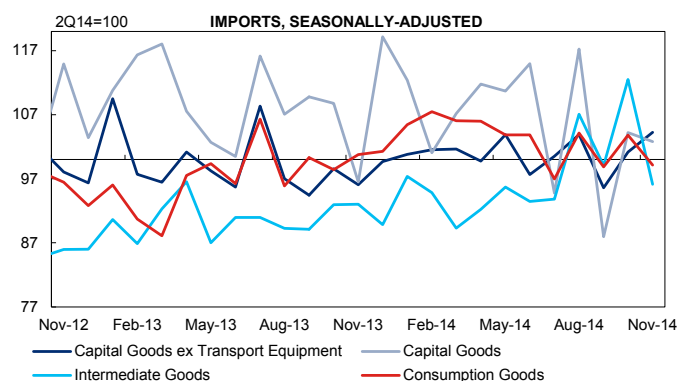
Source: CEIC, Citi Research

Figure 4. Exports to major markets, seasonally adjusted



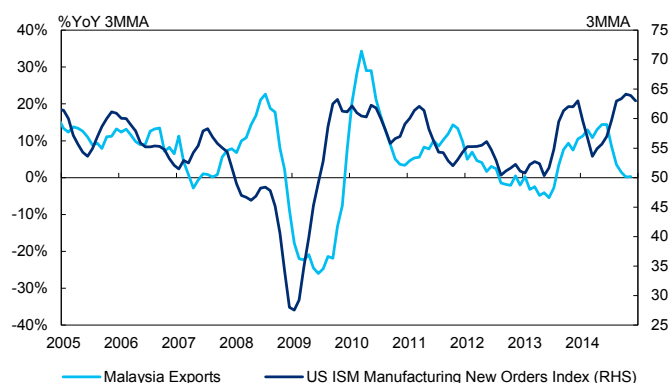
Source: CEIC, Citi Research

Figure 5. Imports by end use, seasonally adjusted



Source: CEIC, Citi Research

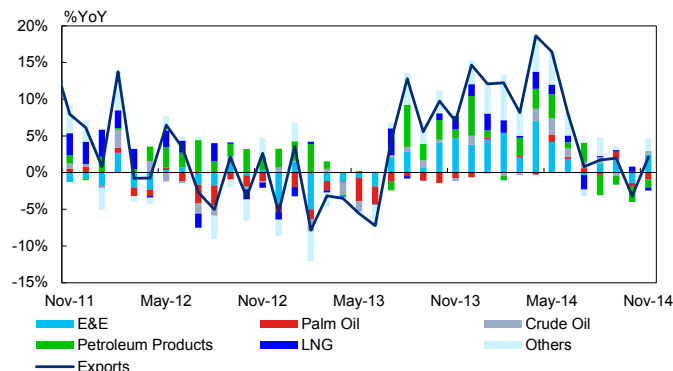
Figure 6. US ISM Manufacturing new orders index leads exports by 3-6 months



Source: CEIC, Citi Research

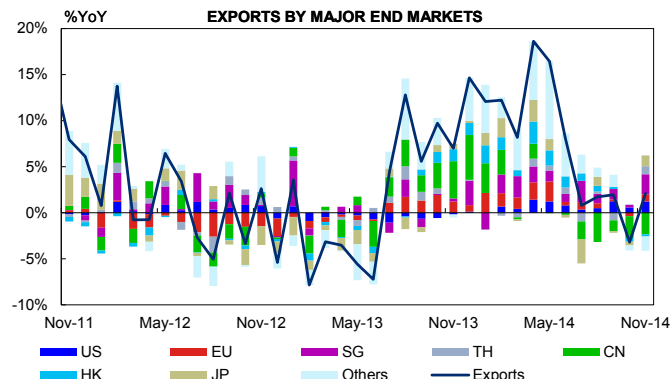


Figure 7. Exports by product, %-pt contribution



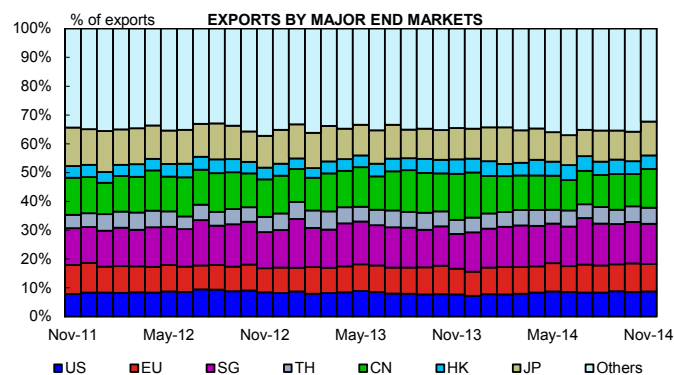
Source: CEIC, Citi Research

Figure 8. Exports by destination, %-pt contribution



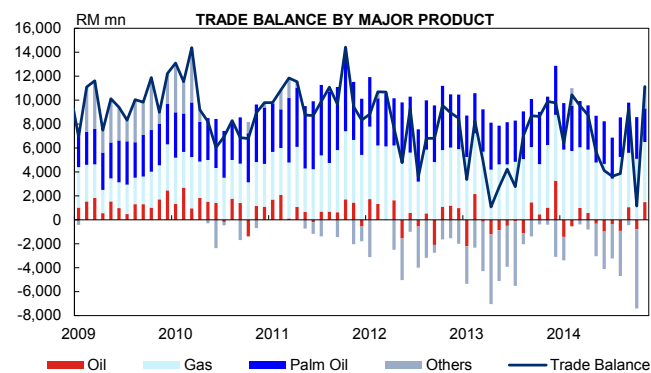
Source: CEIC, Citi Research

Figure 9. Share of exports by destination



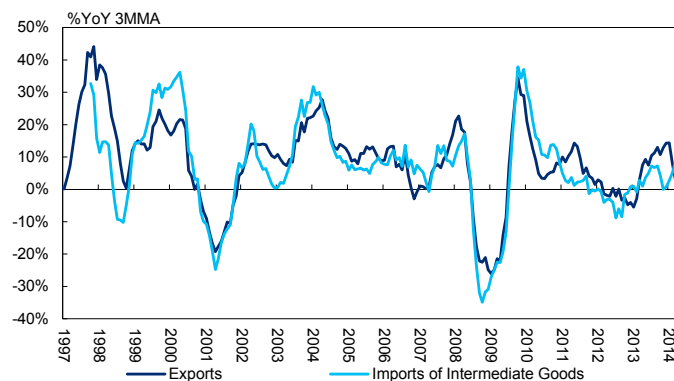
Source: CEIC, Citi Research

Figure 10. Trade Balance by major product



Source: CEIC, Citi Research

Figure 11. Exports and intermediate goods imports (% YoY 3MMA)



Source: CEIC, Citi Research

Figure 12. Composite Leading Indicator

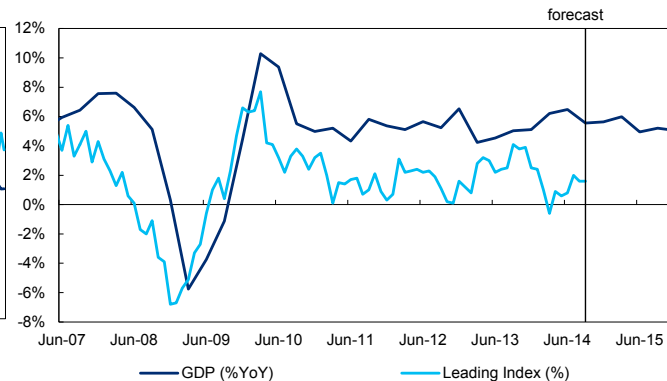
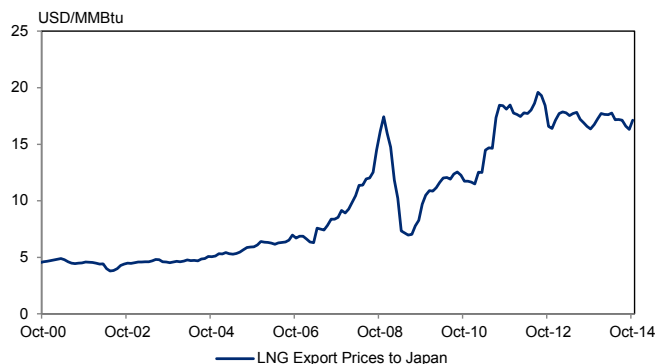


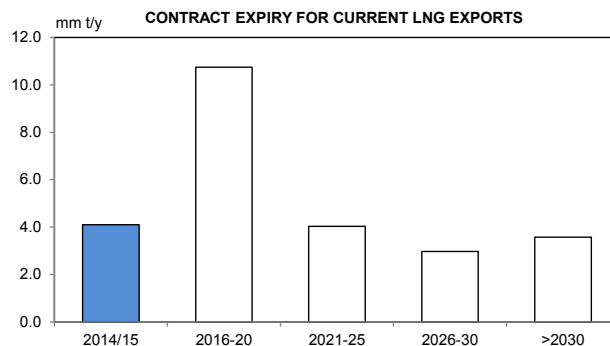


Figure 13. Price of LNG Exports from Malaysia to Japan (USD/MMBtu)



Source: Bloomberg, Citi Research

Figure 14. 16.1% of Malaysia's LNG export volumes are set to expire in 2014/15



Source: Bloomberg, Citi Research

Figure 15. Impact of oil price on fiscal position

Tapis Crude Oil Spot Price	US\$/bbl	40	45	50	55	60	65	70	75	80	85	90	95	100	105	110	120
Estimated Market Price of RON95	RM/litre	1.37	1.47	1.57	1.67	1.77	1.87	1.96	2.06	2.16	2.26	2.36	2.46	2.56	2.66	2.75	2.95
Estimated Subsidy per Litre of RON95 (If pump price remains constant at RM2.30)	RM/litre	(0.93)	(0.83)	(0.73)	(0.63)	(0.53)	(0.43)	(0.34)	(0.24)	(0.14)	(0.04)	0.06	0.16	0.26	0.36	0.45	0.65
RON95 and Diesel (now abolished regardless of oil price level)	RM bn	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
LPG (assuming no change in prices)	RM bn	-	-	-	-	-	-	-	-	0.94	1.91	2.87	3.84	4.80	5.76	6.73	8.66
Estimated Total Fuel Subsidy Expenditure	RM bn	-	-	-	-	-	-	-	-	0.94	1.91	2.87	3.84	4.80	5.76	6.73	8.66
Estimated Petroleum Export Duties	RM bn	0.78	0.88	0.98	1.08	1.18	1.27	1.37	1.47	1.57	1.67	1.76	1.86	1.96	2.06	2.15	2.35
Estimated Petroleum Royalties	RM bn	1.94	2.18	2.42	2.67	2.91	3.15	3.39	3.64	3.88	4.12	4.36	4.61	4.85	5.09	5.33	5.82
Estimated Petronas Dividend	RM bn	27.00	27.00	27.00	27.00	27.00	27.00	27.00	27.00	27.00	27.00	27.00	27.00	27.00	27.00	27.00	27.00
<b>i. Using Budget 2015 estimate of RM25.6bn at US\$105/bbl Tapis oil price</b>																	
Estimated Petroleum Income Tax (using Petronas' numbers)	RM bn	9.8	11.0	12.2	13.4	14.6	15.8	17.1	18.3	19.5	20.7	21.9	23.2	24.4	25.6	26.8	29.3
Estimated Petroleum-Related Revenues	RM bn	39.5	41.0	42.6	44.2	45.7	47.3	48.8	50.4	52.0	53.5	55.1	56.6	58.2	59.7	61.3	64.4
Estimated Petroleum-Related Revenues ex Dividends	RM bn	12.5	14.0	15.6	17.2	18.7	20.3	21.8	23.4	25.0	26.5	28.1	29.6	31.2	32.7	34.3	37.4
Net Fiscal Impact of Oil	RM bn	39.5	41.0	42.6	44.2	45.7	47.3	48.8	50.4	51.0	51.6	52.2	52.8	53.4	54.0	54.6	55.8
Fiscal Balance	RM bn	(42.4)	(40.9)	(39.3)	(37.7)	(36.2)	(34.6)	(33.1)	(31.5)	(30.9)	(30.3)	(29.7)	(29.1)	(28.5)	(27.9)	(27.3)	(26.1)
as % of GDP	%	(3.57)	(3.44)	(3.30)	(3.17)	(3.04)	(2.91)	(2.78)	(2.65)	(2.60)	(2.55)	(2.50)	(2.45)	(2.40)	(2.35)	(2.30)	(2.20)
<b>ii. Using Petronas' reported RM17bn income tax at US\$75/bbl level for Brent oil price (assumed \$5/bbl lower than Tapis)</b>																	
Estimated Petroleum Income Tax (budget 2015 numbers)	RM bn	8.5	9.6	10.6	11.7	12.8	13.8	14.9	15.9	17.0	18.1	19.1	20.2	21.3	22.3	23.4	25.5
Estimated Petroleum-Related Revenues	RM bn	38.2	39.6	41.0	42.4	43.8	45.2	46.6	48.0	49.4	50.8	52.3	53.7	55.1	56.5	57.9	60.7
Estimated Petroleum-Related Revenues ex Dividends	RM bn	11.2	12.6	14.0	15.4	16.8	18.2	19.6	21.0	22.4	23.8	25.3	26.7	28.1	29.5	30.9	33.7
Net Fiscal Impact of Oil	RM bn	38.2	39.6	41.0	42.4	43.8	45.2	46.6	48.0	48.5	48.9	49.4	49.8	50.3	50.7	51.1	52.0
Fiscal Balance	RM bn	(43.7)	(42.3)	(40.9)	(39.5)	(38.1)	(36.7)	(35.3)	(33.9)	(33.4)	(33.0)	(32.5)	(32.1)	(31.6)	(31.2)	(30.8)	(29.9)
as % of GDP	%	(3.67)	(3.55)	(3.44)	(3.32)	(3.20)	(3.08)	(2.96)	(2.85)	(2.81)	(2.77)	(2.73)	(2.70)	(2.66)	(2.62)	(2.59)	(2.51)

Source: MoF, Citi Research



## Appendix A-1

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