

5 July 2018
Snap

Malaysia: Downside trade surprise

The forthcoming trade war clouds the outlook for Malaysia's economy and currency. We have revised our USD/MYR forecast for end-2018 for further weakness to 4.35 from 4.05

3.4%

Export growth in May
year-on-year

Worse than expected

A downside export surprise

Malaysia's exports in May grew by 3.4% year-on-year, slower than the consensus forecast of 6.4%, while import growth of 0.1% was in line with expectations. These growth rates are down from 14% and 9% respectively in April. The high base effect explains some of the slowdown: both export and import growth peaked above 30% in May 2017. Commodities and electronics continue to dominate the overall trade picture, both posting a sharp growth slowdown in May.

The year-to-date export growth of 6.9% YoY and import growth of 1.3% have both slowed sharply from 23% and 28% respectively a year ago. But the trade surplus of MYR 54.5bn in the first five months was still wider than MYR 33bn surplus in the same period of 2017.

The trade war clouds outlook

The trade war clouds the outlook for Malaysia's trade and GDP growth for the rest of the year. We expect the pass-through of weakening global trade to commodity prices, and then to Malaysia's export weakness, to shift the MYR from being Asia's outperformer to being one of its underperformers in the rest of the year (see [Asian foreign exchange in tariff tantrum](#)). We have revised our USD/MYR forecast for end-2018 for further weakness to 4.35 from 4.05 (spot 4.05).

Prakash Sakpal

Economist, Asia

+65 6232 6181

prakash.sakpal@asia.ing.com

Disclaimer

This publication has been prepared by the Economic and Financial Analysis Division of ING Bank N.V. ("**ING**") solely for information purposes without regard to any particular user's investment objectives, financial situation, or means. *ING forms part of ING Group (being for this purpose ING Group NV and its subsidiary and affiliated companies).* The information in the publication is not an investment recommendation and it is not investment, legal or tax advice or an offer or solicitation to purchase or sell any financial instrument. Reasonable care has been taken to ensure that this publication is not untrue or misleading when published, but ING does not represent that it is accurate or complete. ING does not accept any liability for any direct, indirect or consequential loss arising from any use of this publication. Unless otherwise stated, any views, forecasts, or estimates are solely those of the author(s), as of the date of the publication and are subject to change without notice.

The distribution of this publication may be restricted by law or regulation in different jurisdictions and persons into whose possession this publication comes should inform themselves about, and observe, such restrictions.

Copyright and database rights protection exists in this report and it may not be reproduced, distributed or published by any person for any purpose without the prior express consent of ING. All rights are reserved. The producing legal entity ING Bank N.V. is authorised by the Dutch Central Bank and supervised by the European Central Bank (ECB), the Dutch Central Bank (DNB) and the Dutch Authority for the Financial Markets (AFM). ING Bank N.V. is incorporated in the Netherlands (Trade Register no. 33031431 Amsterdam). In the United Kingdom this information is approved and/or communicated by ING Bank N.V., London Branch. ING Bank N.V., London Branch is subject to limited regulation by the Financial Conduct Authority (FCA). ING Bank N.V., London branch is registered in England (Registration number BR000341) at 8-10 Moorgate, London EC2 6DA. For US Investors: Any person wishing to discuss this report or effect transactions in any security discussed herein should contact ING Financial Markets LLC, which is a member of the NYSE, FINRA and SIPC and part of ING, and which has accepted responsibility for the distribution of this report in the United States under applicable requirements.