OCEAN X

The seafreight specialists.

Malaysia Market Report

The ultimate preparation report on the market, for our OceanX AGM 2023 in Kuala Lumpur

Featuring our local member

fM GLOBAL LOGISTICS

OceanX - Version 2.0 / July 2023

Country Profile

Latest Economic Data (IMF April 2023)
Population: 36.6 Million
GDP/Growth:447 Bn USD / +4.5%
GDP per Capita: 13,380 USD
Inflation: 2.9%

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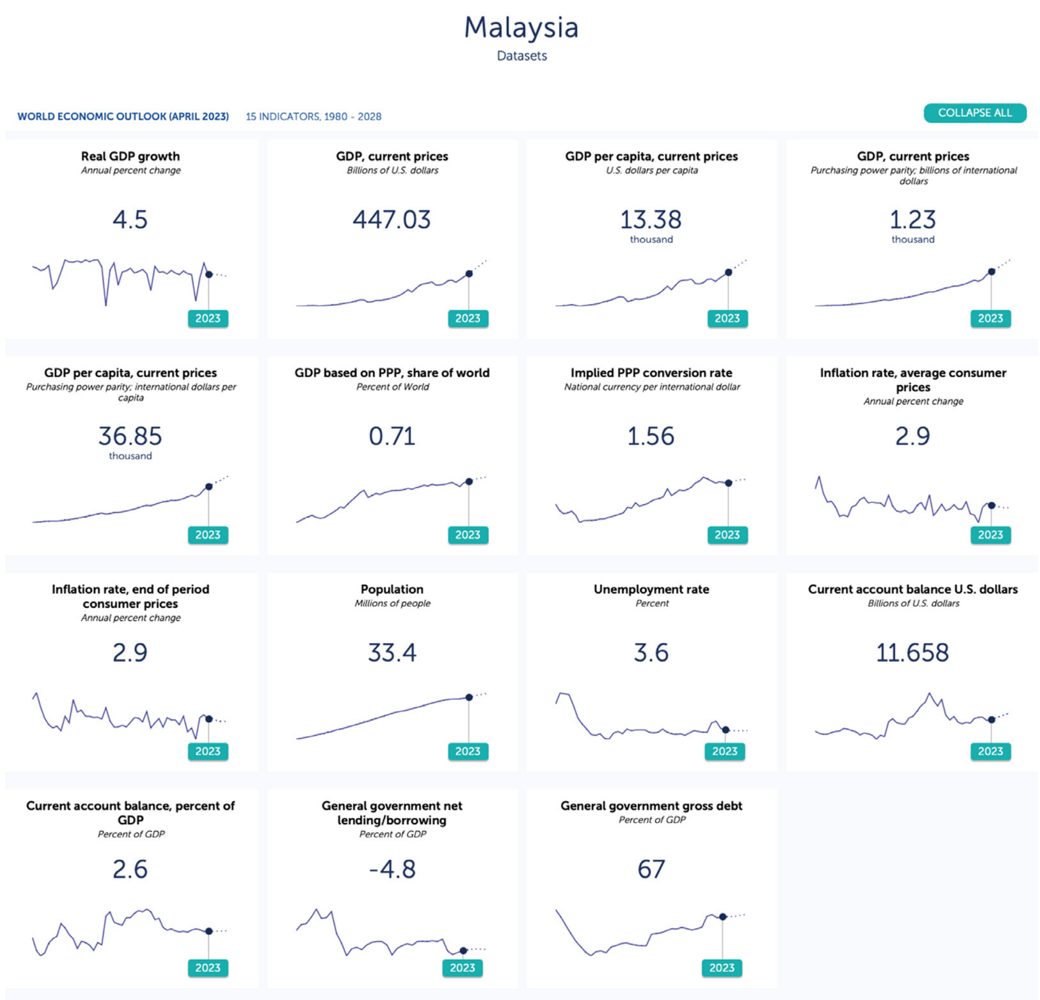
Market Size in TEU 2022
Malaysia's top 10 container ports and their volumes in 2022 are:

Port Klang: 13.2 million TEU
Tanjung Pelepas: 9.5 million TEU
Penang: 1.8 million TEU
Kuantan: 0.6 million TEU
Bintulu: 0.5 million TEU
Pasir Gudang: 0.4 million TEU
Kota Kinabalu: 0.3 million TEU
Kemaman: 0.2 million TEU
Sandakan: 0.2 million TEU
Labuan: 0.1 million TEU



History

Malaysia is a country in Southeast Asia that consists of two regions: Peninsular Malaysia and East Malaysia. The former is located on the Malay Peninsula, while the latter comprises the northern part of the island of Borneo. Malaysia has a long and diverse history that has been influenced by various peoples, cultures, and trade networks from China, India, the Middle East, and Europe.

Prehistory and the rise of Indianized states

Malaysia's prehistory remains insufficiently studied, but archaeological evidence suggests that the area was inhabited by Homo sapiens at least 40,000 years ago. The Niah Cave site in northern Sarawak contains remains that indicate a nearly unbroken succession of human visits and occupations until some 1,300 years ago. Peninsular Malaysia has been inhabited for at least 6,000 years, with evidence of Stone Age and early Bronze Age civilizations. Neolithic culture was apparently well established by 2500 to 1500 BCE.

Small Malay kingdoms appeared in the 2nd or 3rd century CE, a time when Indian traders and priests began traveling the maritime routes, bringing with them Indian concepts of religion, government, and the arts. Over many centuries, the peoples of the region, especially those within the royal courts, synthesized Indian and indigenous ideas, making selective use of Hinduism and Mahayana Buddhism in shaping their political and cultural patterns. The most significant complex of Indianized temple ruins has been found around Kedah Peak in northwestern Peninsular Malaysia.

The Strait of Malacca, narrowly separating the peninsula from the archipelago, has been a crossroads for peoples, cultures, and trade passing through or taking root in both areas. Influences from China, India, the Middle East, and later Europe followed the maritime trade. However, because the peninsula and northern Borneo both lacked broad, fertile plains, they were unable to support high population densities that were the foundation of other more powerful Southeast Asian civilizations.

Scant documentation suggests that perhaps 30 small Indianized states rose and fell in Malaya during the 1st millennium CE. One of the most prominent was Srivijaya (650–1275), a maritime empire based on Sumatra that controlled trade in the Strait of Malacca and extended its influence to Java and the Malay Peninsula. Srivijaya was also a centre of Buddhist learning and art.

Rise of Muslim states

The decline of Srivijaya in the 13th century paved the way for the rise of Muslim states in Southeast Asia. Islam was introduced by Arab and Indian merchants who brought with them not only their religion but also their culture and commerce. The first recorded evidence of a Muslim state in Malaya was Samudera Pasai (1267–1521), located in northern Sumatra. Other Muslim sultanates soon emerged in various parts of the archipelago and the peninsula.

The most influential and prosperous of these was Malacca (1402–1511), founded by a Sumatran prince who converted to Islam. Malacca became a powerful maritime kingdom that dominated trade in Southeast Asia. It also became a centre of Islamic learning and dissemination. Malacca developed a distinctive Malay culture based on a synthesis of indigenous and Islamic elements.

Other Muslim sultanates that emerged in this period include Brunei (1368–present), Sulu (1450–1899), Aceh (1496–1903), Johor (1528–present), Kedah (1136–present), Pahang (1470–1623), Perak (1528–present), Selangor (1766–present), Kelantan (1411–present), Terengganu (1724–present), Pattani (1516–1902), Sarawak (1599–1641), and Besut (1780–1899). These states often engaged in trade, alliances, wars, and marriages with each other as well as with other regional powers such as Siam (Thailand), Majapahit (Java), Ayutthaya (Thailand), Burma (Myanmar), Champa (Vietnam), Cambodia, Lan Xang (Laos), China, Portugal, Spain, England, Holland, and France.

Colonial era

The arrival of European powers in Southeast Asia marked a turning point in Malaysian history. The Portuguese were the first to establish a foothold in Malacca in 1511, after defeating the Malaccan navy. They sought to monopolize the spice trade and convert the locals to Christianity. However, they faced resistance from the Malay sultanates and other regional powers. The Dutch, who were rivals of the Portuguese, allied with Johor and captured Malacca in 1641. They controlled Malacca until 1824, when they ceded it to the British in exchange for Bencoolen (Sumatra).

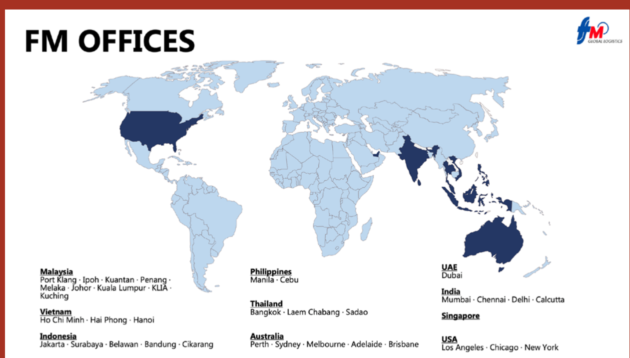
The British were initially interested in Malaysia as a source of raw materials and a market for their manufactured goods. They also wanted to secure their trade route to China and prevent French influence in the region. The British established their presence in Malaysia through a series of treaties, wars, and interventions. They divided the Malay states into two categories: the Federated Malay States (FMS), which consisted of Perak, Selangor, Negeri Sembilan, and Pahang; and the Unfederated Malay States (UMS), which included Johor, Kedah, Kelantan, Perlis, and Terengganu. The FMS were directly administered by British residents, while the UMS retained their own rulers but accepted British advisers. The British also acquired Penang (1786), Singapore (1819), and Labuan (1846) as their colonies, known as the Straits Settlements.

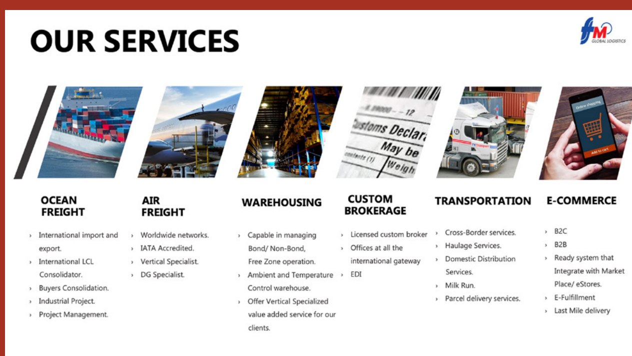
In East Malaysia, the British faced competition from the Brunei Sultanate and the Brooke family of Sarawak. The Brookes, also known as the

White Rajahs, ruled Sarawak as a personal kingdom from 1841 to 1946. They expanded their territory through conquest and treaties with local chiefs. The British North Borneo Company was granted a royal charter in 1881 to administer Sabah, then known as North Borneo. The company exploited the natural resources of Sabah and encouraged immigration of Chinese and other workers. Both Sarawak and Sabah became British protectorates in 1888.

The British introduced various economic and social changes in Malaysia that had lasting impacts. They promoted the cultivation of cash crops such as rubber, tin, palm oil, and coffee. They built infrastructure such as roads, railways, ports, and telegraphs to facilitate trade and administration. They encouraged immigration of Chinese and Indian laborers to work in the mines and plantations. They also introduced English education, Western law, and Christian missions. However, they also faced challenges such as Malay resistance, Chinese rebellions, piracy, diseases, and World War II.

Meet our local member





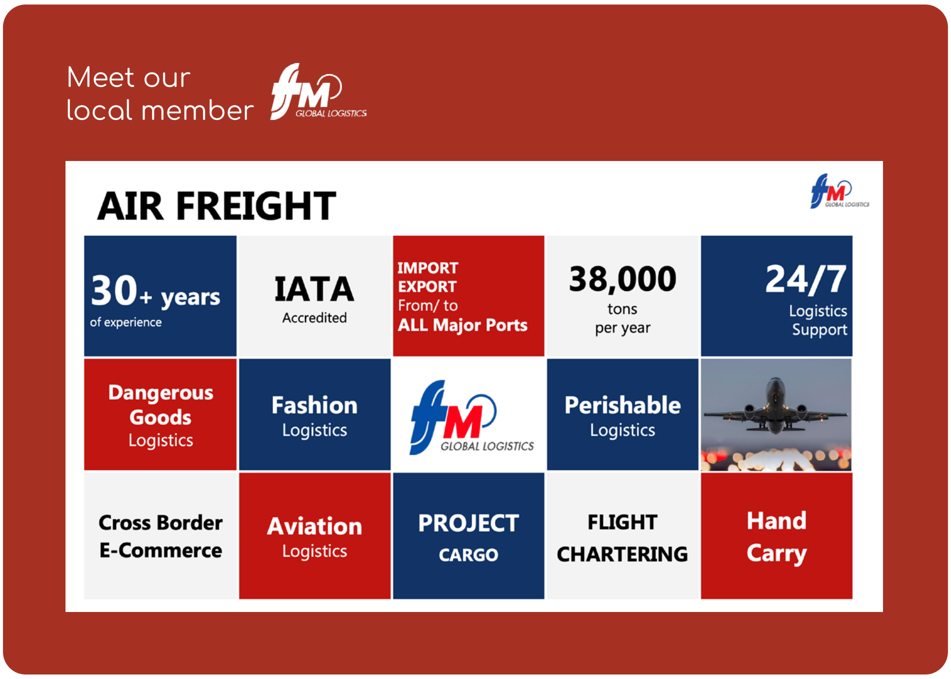
World War II and independence

Malaysia was occupied by Japan from 1941 to 1945 during World War II. The Japanese invasion was swift and brutal, resulting in the surrender of British forces in Singapore and Malaya. The Japanese administration was harsh and oppressive, causing widespread suffering and death among the population. The Japanese also exploited the natural resources of Malaysia for their war effort. However, they also stimulated nationalist sentiments among the Malaysians by promising them independence after the war.

The end of World War II saw the return of British rule in Malaysia. However, the British faced strong opposition from various nationalist groups who demanded independence. The most prominent of these was the Malayan Communist Party (MCP), which launched a guerrilla war against the British known as the Malayan Emergency (1948–1960). The MCP was mainly supported by Chinese workers and peasants who resented British colonialism and economic exploitation. The British responded with a counterinsurgency campaign that involved military operations, resettlement of rural populations, and political reforms.

The British also attempted to create a federation of Malaya that would include all the Malay states and the Straits Settlements (except Singapore). However, this plan was met with resistance from some Malay rulers and nationalists who feared losing their sovereignty and status. The British then proposed a Malayan Union that would grant equal citizenship rights to all races, but this was rejected by the Malays who saw it as a threat to their political and cultural dominance. The British eventually compromised by establishing the Federation of Malaya (1948–1963) that retained the Malay rulers and gave special privileges to the Malays.

The Federation of Malaya achieved independence from Britain on August 31, 1957, after a series of negotiations and elections. The first prime minister was Tunku Abdul Rahman, who led a coalition of Malay, Chinese, and Indian parties known as the Alliance Party. The new government faced several challenges such as ethnic tensions, economic development, education, and external security.



In 1961, Tunku Abdul Rahman proposed to form a larger federation that would include Singapore, Sarawak, and Sabah (then known as North Borneo). This idea was motivated by economic and strategic reasons, as well as a desire to create a more balanced racial composition. The Federation of Malaysia was formed on September 16, 1963, after obtaining the consent of the British, the Malay rulers, and the peoples of Singapore, Sarawak, and Sabah.

However, the formation of Malaysia was opposed by Indonesia and the Philippines, who claimed parts of Borneo as their territories. Indonesia launched a military and diplomatic campaign against Malaysia known as Konfrontasi (Confrontation) from 1963 to 1966. The Philippines also filed a claim over Sabah based on the historical rights of the Sulu Sultanate. These disputes were resolved peacefully through negotiations and agreements.

The Federation of Malaysia also faced internal problems, especially between Singapore and the central government. The main issues were over economic policies, taxation, education, and racial politics. Singapore had a predominantly Chinese population that favored a more liberal and meritocratic system than the Malay-dominated federal government that pursued affirmative action for the Malays. The differences between Singapore and Kuala Lumpur led to frequent conflicts and riots. In 1965, after a failed attempt to form a common market, Singapore was expelled from Malaysia and became an independent republic.

Post-independence era

After Singapore's departure, Malaysia entered a new phase of its history. The federal government continued to implement the New Economic Policy (NEP) that aimed to eradicate poverty and reduce economic disparities between races. The NEP involved state intervention in various sectors such as agriculture, industry, education, and public services. It also gave preferential treatment to Malays in terms of quotas, scholarships

Development of the economy and international trade since independence

Malaysia has been one of the most open and successful economies in Southeast Asia, with a trade to GDP ratio averaging over 130% since 2010. Malaysia has diversified its economy from agriculture and commodities to manufacturing and services, and has become a leading exporter of electrical appliances, parts, and components. Malaysia has also pursued various policies and reforms to promote economic development, social equity, and regional integration.

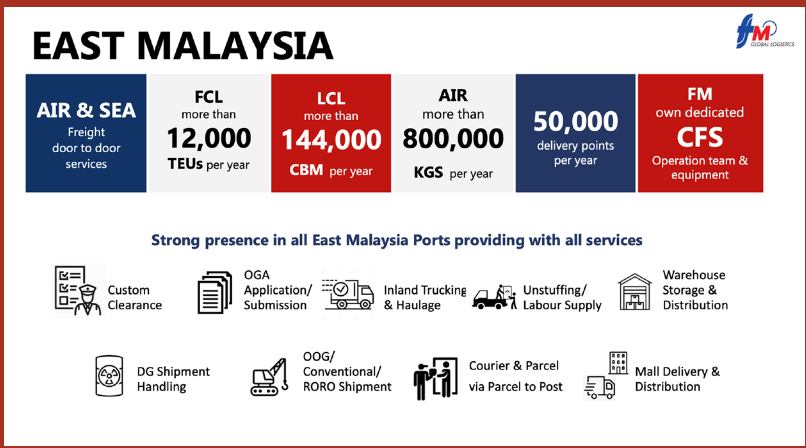
Since independence in 1957, Malaysia has followed a pro-trade and pro-investment strategy that has attracted foreign direct investment (FDI) and stimulated domestic production. Malaysia has also benefited from its strategic location in the Strait of Malacca, which is a major route for international trade. Malaysia has established trade relations with many countries and regions, such as China, Singapore, the United States, Japan, the European Union, and ASEAN. Malaysia has also participated in various bilateral and multilateral trade agreements, such as the ASEAN Free Trade Area (AFTA), the ASEAN-China Free Trade Area (ACFTA), the Trans-Pacific Partnership (TPP), and the Regional Comprehensive Economic Partnership (RCEP).

However, Malaysia has also faced some challenges and risks in its trade and economic performance. Malaysia has been vulnerable to external shocks such as the Asian financial crisis of 1997-1998, the global financial crisis of 2008-2009, and the COVID-19 pandemic of 2020-2021. These shocks have caused economic slowdowns, recessions, currency depreciations, and fiscal deficits. Malaysia has also faced some structural issues such as income inequality, ethnic tensions, environmental degradation, corruption, and human capital development. Malaysia has also encountered some trade disputes and barriers with some of its trading partners, such as over palm oil exports, steel tariffs, digital taxes, and intellectual property rights.

Despite these challenges and risks, Malaysia has shown resilience and adaptability in its trade and economic development. Malaysia has implemented various measures to mitigate the impacts of external shocks, such as monetary easing, fiscal stimulus, social protection, and health care. Malaysia has also pursued various initiatives to address its structural issues, such as the New Economic Policy (NEP), the New Development Policy (NDP), Vision 2020, the Economic Transformation Programme (ETP), and the Shared Prosperity Vision 2030. Malaysia has also sought to resolve its trade disputes and barriers through dialogue, negotiation, and cooperation.

Malaysia's trade and economic outlook remains positive but uncertain in the short to medium term. The recovery from the COVID-19 pandemic will depend on the progress of vaccination, containment measures, domestic demand, external demand, and policy support. The potential for further trade integration and diversification will depend on the implementation of existing and new trade agreements, as well as the development of new markets and sectors. The prospects for achieving high-income and developed nation status will depend on the quality and sustainability of growth, as well as the inclusiveness and resilience of development.

Meet our local member



Economy & Trade

Malaysia Economy

Malaysia's economy had a strong first quarter in 2023, after a healthy growth high already in 2022, as the following article from AlJazeera summarises:

"Malaysia's economy picked up in the first quarter buoyed by firm domestic demand, central bank and government data showed on Friday. Gross domestic product rose 5.6 percent, according to Bank Negara Malaysia (BNM) and the Statistics Department, faster than the 4.8 percent annual expansion forecast by analysts in a Reuters news agency poll. In the fourth quarter of 2022, the economy had grown 7.1 percent, revised up from a previously announced 7.0 percent. Growth hit a 22-year high of 8.7 percent last year as Malaysia bounced back from a pandemic slump, but cooling global demand is expected to weigh on the outlook for the export-oriented Southeast Asian economy.

The central bank, however, said robust domestic demand will continue to drive economic expansion, maintaining its 2023 growth forecast at between 4 percent and 5 percent.

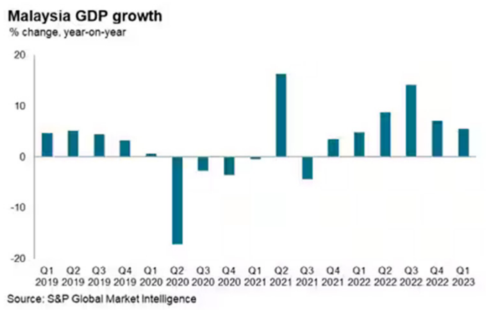
Malaysia's quarterly expansion was supported by improved labour market conditions, a continuation of large infrastructure projects and a recovery in tourism, BNM Governor Nor Shamsiah Mohd Yunus told a press conference. "The economy is no longer in crisis and in fact, continues to gain strength," she said."Risks to the growth outlook are fairly balanced, with downside risks emanating primarily from external factors." Nor Shamsiah flagged persistent risks to inflation, and did not discount a further normalisation of its benchmark interest rate after the central bank's surprise 25-basis-point hike last week, citing evolving global developments.

Some economists had seen the rate hike – which marked the return of borrowing costs to pre-pandemic levels – as signalling the end of the central bank's tightening cycle. "Any normalisations will depend on whether there will be any developments that will materially affect our assessment of the inflation and growth outlook," Nor Shamsiah said, when asked to comment on whether BNM was done hiking rates. It expects headline inflation to average between 2.8 percent and 3.8 percent this year, compared with 3.3 percent in 2022."

Market intelligence by S&P Global also underlines the strong start into 2023: "The Malaysian economy grew at a pace of 5.6% year-on-year (y/y) in the first quarter of 2023, showing continued rapid expansion after annual economic growth of 8.7% in 2022. The buoyant pace of economic growth in 2022 was the fastest annual GDP growth rate since 2000.
The pace of expansion of the Malaysian economy is expected to

moderate during 2023 due to a number of headwinds, including the impact of high base year effects and slowing merchandise export growth. However, an important positive factor is expected to be the continued gradual recovery of international tourism visits from Asia, the Middle East and Europe.

The Malaysian economy grew at a pace of 5.6% y/y in the first quarter of 2023, after growing at 7.1% y/y in the fourth quarter of 2022. Measured on a quarter-on-quarter (q/q) basis, the Malaysian economy grew by 0.9% q/q in the first quarter of 2023, marking a sharp turnaround after contraction of 1.7% q/q in the fourth quarter of 2022."

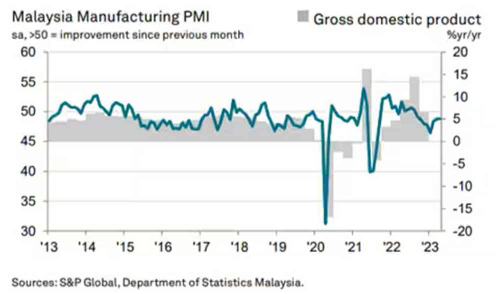


"Helped by strong domestic demand, the Malaysian services sector continued to show rapid growth of 7.3% y/y in the first quarter of 2023, following growth of 9.1% y/y in the fourth quarter of 2022. The pace of expansion in the construction sector also remained strong, growing by 7.4% y/y in the first quarter of 2023, after rapid growth of 10.1% y/y in the fourth quarter of 2022. However, growth in the manufacturing sector has moderated in recent quarters, growing by 3.2% y/y in the first quarter of 2023, similar to the 3.9% y/y pace in the fourth quarter of 2022.

The seasonally adjusted S&P Global Malaysia Manufacturing Purchasing Managers' Index (PMI) was unchanged at 48.8 in April, signalling that business conditions remained challenging for firms. That said, the index was at its joint-highest level since September 2022, suggesting a tentative recovery in operating conditions in recent months."

It also sees the manufacturing sector further developing:

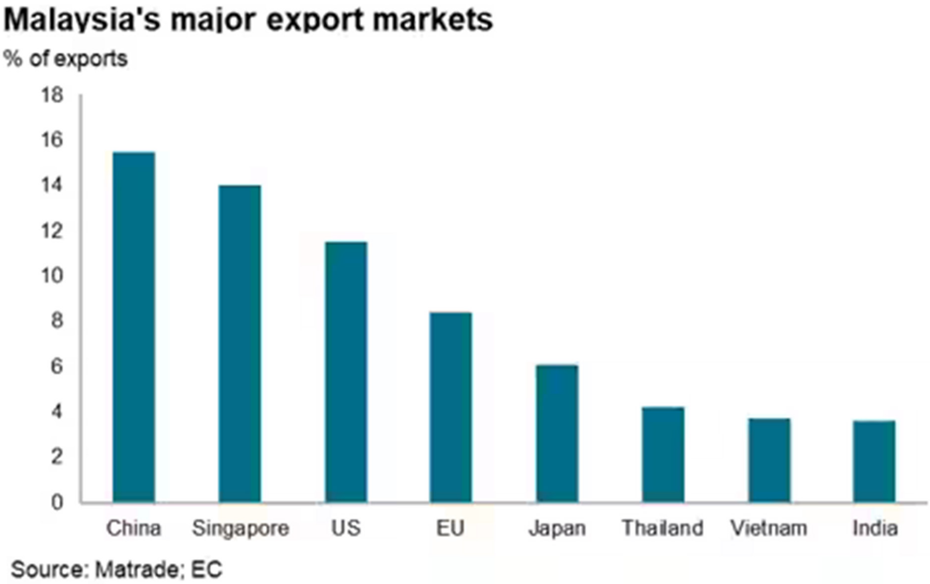
S&P Global Malaysia Manufacturing PMI



"During 2022, an important positive factor for the Malaysian manufacturing sector was the strength of manufacturing exports. Overall, Malaysian merchandise exports has performed strongly during 2022, with exports rising by 25% y/y. Exports of manufactured goods rose by 22% y/y during 2022, boosted by exports of electrical and electronic products, which rose by 30%.

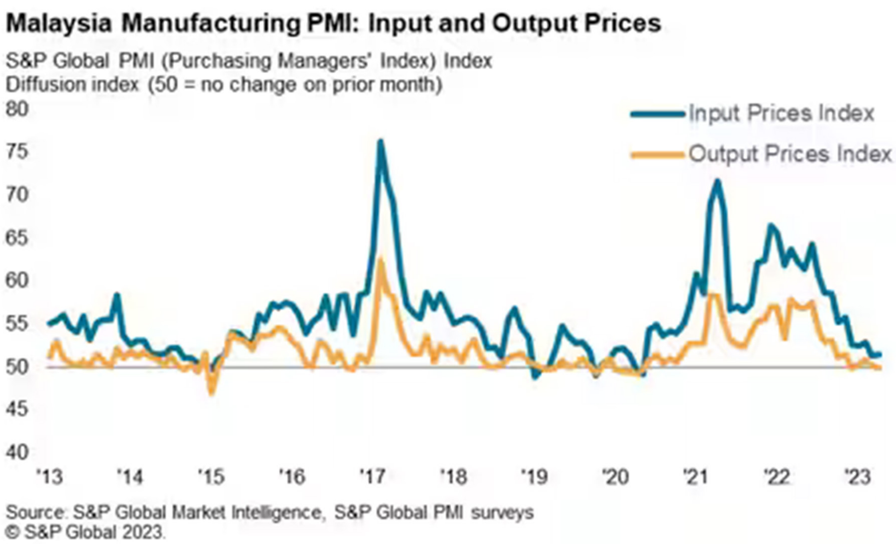
Rising world commodity prices also boosted commodities exports, with mining exports up by 68% y/y due to strong exports of oil and gas, while agricultural exports rose by 23%. In 2023, the pace of export growth is expected to moderate, reflecting base year effects as well as the economic slowdown in key markets, notably the US and EU. Goods exports in the first quarter of 2023 rose by 2.8% y/y, with the pace of export growth moderating significantly compared with 2022.

As mainland China is Malaysia's largest export market, accounting for 15.5% of total exports, the continuing rebound in mainland China's economy during 2023 may help to mitigate the impact of softening merchandise exports to the US and EU. However international tourism is expected to strengthen during 2023, as tourist arrivals from major tourism markets in ASEAN, Middle East and Europe continue to recover, while Chinese tourist arrivals gradually improve. Tourism Malaysia is targeting 16.1 million international visitor arrivals for 2023, a 60% increase compared with the estimated 10.1 million international visitor arrivals in 2022. This compares with the pre-pandemic level of 26.1 million international visitor arrivals in 2019. In 2019, total domestic and international tourism was estimated to have accounted for around 16% of gross value added in Malaysia's total GDP."



Inflation remains a key concern, also by the IMF, but pressures have been gradually easing: "Reduced demand for inputs helped lead to an improvement in vendor performance, with improved capacity at suppliers and a lack of port congestion also aiding a reduction in lead times. Suppliers' delivery times shortened for the fourth successive month and to one of the greatest extents in the past decade. There were further signs of raw material prices levelling off in April as input costs rose only slightly. The rate of inflation was broadly in line with the 34-month low posted in March."

"In Malaysia, CPI inflation pressures have begun to gradually moderate, easing to a pace of 3.4% in March 2023, compared with 4.5% y/y in September 2022.



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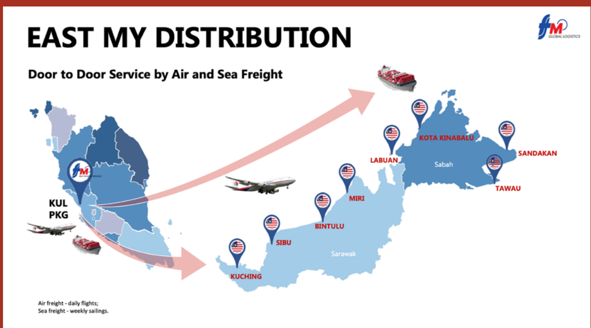
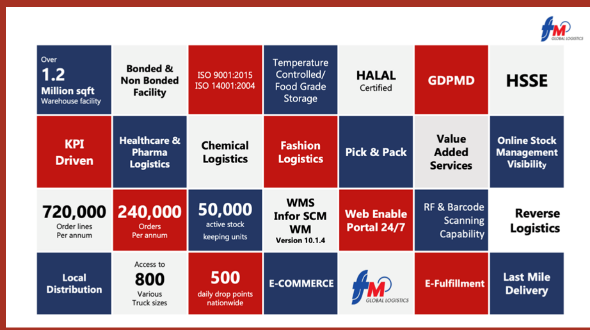
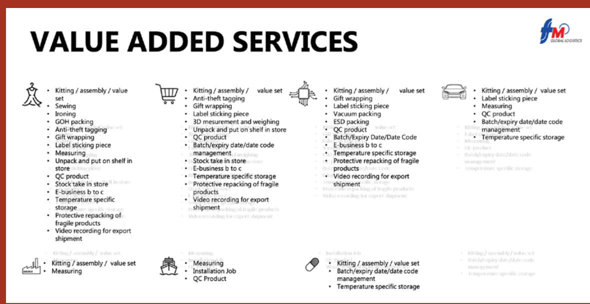






During 2022, Malaysia's central bank, Bank Negara Malaysia (BNM), had reduced the degree of monetary accommodation in a series of tightening steps. The most recent monetary policy tightening was on 3rd May 2023, when the Monetary Policy Committee decided to increase the Overnight Policy Rate (OPR) by 25 basis points (bps) to 3.0 percent. The MPC expects that both headline and core inflation will moderate over the course of 2023, averaging between 2.8% and 3.8%. However, core inflation will remain at elevated levels amid firm demand conditions.

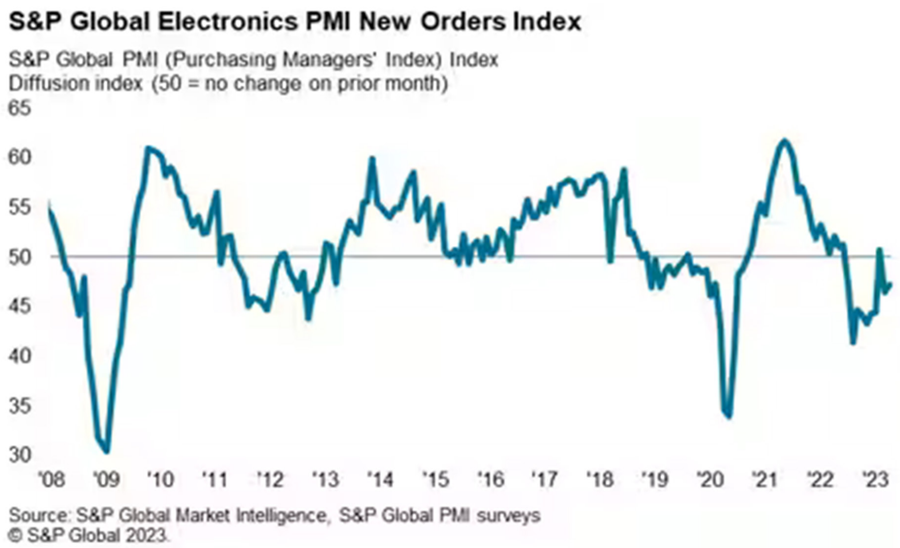
S&P Global Electronics PMI

S&P Global PMI (Purchasing Managers' Index) Output Index
Diffusion index (50 = no change on prior month)

Source: S&P Global Market Intelligence, S&P Global PMI surveys
© S&P Global 2023.

Existing price controls and fuel subsidies will continue to partly contain the extent of upward pressures to inflation."

Demand for electrical appliances and electronics is reducing post covid, also impacting Malaysia as the sector constitutes 38% of the countries merchandise exports: "The electrical and electronics (E&E) sector has been an important driver of Malaysia's manufacturing exports. Exports of E&E products, which accounted for 38% of merchandise exports, rose by 30% y/y in 2022. This rapid growth was driven by robust global demand for semiconductors, reflecting technological trends such as 5G rollout, cloud computing, and the Internet of Things. Exports of integrated circuits grew



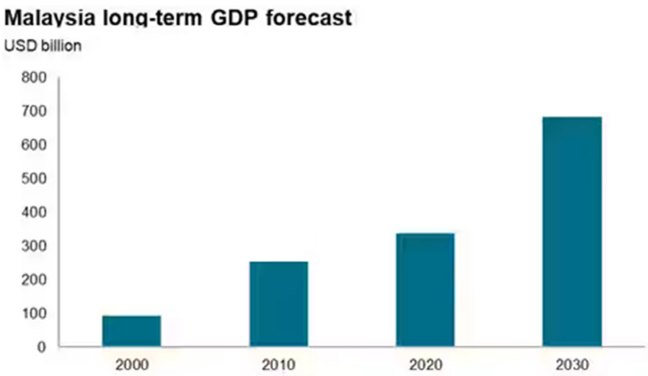
by 33% y/y in 2022, while exports of parts for integrated circuits rose by 120% y/y. The combined exports of integrated circuits and parts accounted for 58% of Malaysia's total exports of E&E products in 2022. The global electronics manufacturing industry slowed in the second half of 2022 due to the weakening pace of economic growth in the US, EU and China.

Malaysian exports of electrical and electronic products fell by 4.4% year-on-year in March 2023. Recent S&P Global survey data indicates that the global electronics manufacturing industry is facing headwinds from the weakening pace of global economic growth. The headline seasonally adjusted S&P Global Electronics PMI fell from 51.4 in February to 48.4 in March, weakening further in April to 48.2. This signalled renewed deterioration in operating conditions across the global electronics manufacturing sector as key consumer markets for electronics, notably the US and EU, remained weak. Malaysian exports of electrical and electronic products fell by 4.4% year-on-year in March 2023. Malaysia's E&E industry is expected to face continuing soft economic conditions during 2023, compared with the very rapid pace of expansion in 2022. The latest data indicated a renewed contraction in the global electronics sector, reflecting further declines in new orders and output."

"Demand conditions for the global electronics industry have remained weak during early 2023. Subdued client demand weighted on new business placed with electronics manufacturers, as new orders fell for the nineth time in the past ten months. Inflationary pressures and global economic uncertainty were often cited by panellists as factors dampening demand. New orders in the Consumer Electronics segment fell at the fastest pace for six months, while there was a renewed decline in Industrials, the first since January. Computing saw a slower contraction while demand conditions for the Communications segment stabilized."

The S&P study concludes the economic outlook:

"The Malaysian economy rebounded strongly during 2022, with economic growth momentum boosted by the easing of COVID-19 restrictive measures as well as buoyant exports of electrical and electronic products, palm oil products as well as oil and gas exports. In 2022, higher world oil and gas prices as a result of the Russia-Ukraine war boosted Malaysian energy exports and contributed to higher fiscal revenues. Malaysia also benefited from higher average palm oil prices, due to disruptions to world edible oil markets, including Ukrainian exports of sunflower oil. During 2023, growth momentum is expected to moderate due to base year effects and the slowdown of merchandise exports. However, the reopening of international borders across the Asia-Pacific region, notably in mainland China, will help the continued gradual recovery of the international tourism industry, which was an important part of the Malaysian economy prior to the pandemic. This will help to mitigate the impact of slower growth for merchandise exports. Domestic demand is expected to be resilient in 2023, helped by the improvement in labour market conditions. Easing of re-



Source: S&P Global Market Intelligence

strictions on entry of migrant labor will also gradually help to support industry sectors that are reliant on foreign workers. There are a number of downside risks to the near-term growth outlook, particularly due to the slowdown in world growth. Malaysia's export sector is vulnerable to protracted weak economic growth momentum in the US and EU, which together account for around one-fifth of total exports. However, the easing of COVID-19 restrictions in mainland China could help to boost Malaysian exports to this key market, which is Malaysia's largest export market and accounts for around 15% of total exports.
Despite the slowdown in global electronics orders in recent months, the medium-term economic prospects for Malaysia's electronics

industry are favourable. The outlook for electronics demand is underpinned by major technological developments, including 5G rollout over the next five years, which will drive demand for 5G mobile phones.

Demand for industrial electronics is also expected to grow rapidly over the medium term, helped by Industry 4.0, as industrial automation and the Internet of Things boosts rapidly growth in demand for industria electronics. Malaysia's competitiveness as a global electronics hub has been highlighted by the decision of a number of electronics multinationals to invest in large-scale new projects. Intel is investing USD 7 billion in a new semiconductors packaging plant in Penang, which is estimated to be completed by 2024 and create thousands of new jobs in Malaysia. Infineon Technologies is constructing a new state-of-the-art wafer fab module in Kulim, with around Ringgit 8 billion of Investment. The new module, which is expected to be completed in 2024, will add significant manufacturing capacity in power semiconductors."

"Overall, the medium to long-term growth outlook for Malaysia remains favourable, with total nominal GDP measured in USD terms forecast to rise from around USD 400 billion in 2022 to USD 680 billion by 2030 and USD 780 billion by 2032. Meanwhile per capita GDP is projected to rise from USD 12,000 in 2022 to USD 18,600 by 2030, which will help to drive the growth of the domestic consumer market."

Malaysia Trade

Malaysia is a major trading nation in Southeast Asia, with a total trade value of US$424.5 billion in 2020. The country exports a variety of goods and services, such as electrical and electronic products, palm oil, rubber, petroleum, machinery, chemicals, and tourism. The country imports mainly intermediate goods and capital goods, such as integrated circuits, refined petroleum, machinery, vehicles, and gold.

According to the World Bank, Malaysia's top five export destinations in 2020 were Singapore (21.1%), China (20.4%), United States (18.3%), Hong Kong (8.2%), and Japan (8.1%). The top five import sources were China (37.1%), Singapore (14.5%), Japan (7.9%), United States (7.8%), and Chinese Taipei (7.2%).

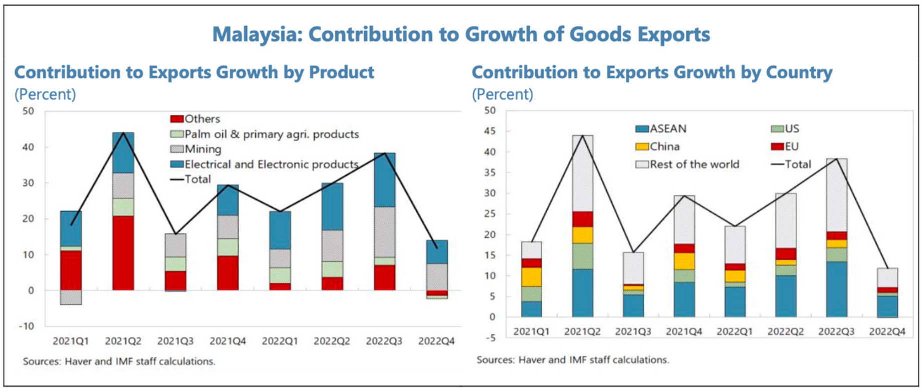
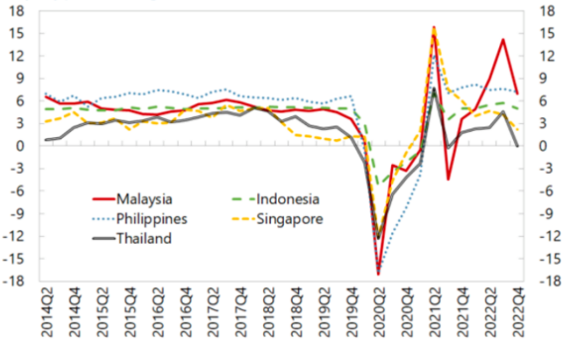


Figure 1. Malaysia: Growth and Exports

Growth has picked up following the reopening in early 2022...

Real GDP Growth

(In y-o-y percent change)

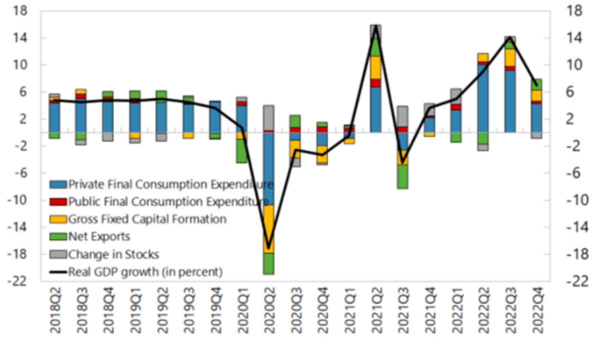


Sources: CEIC Data.

...led by private consumption, investment and net exports.

Contributions to Real GDP Growth

(In percentage points, y-o-y)

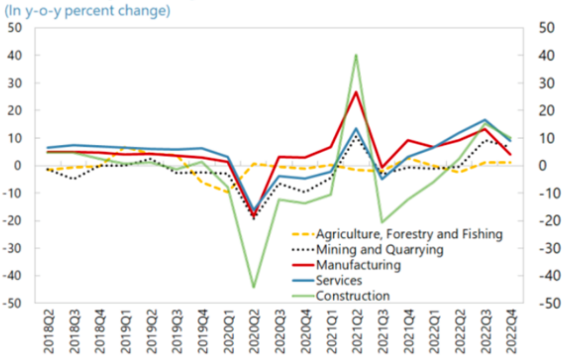


Sources: MYS Dept. of Statistics, Haver Analytics, and IMF staff calculations.

Manufacturing has returned to pre-pandemic growth rates

Real GDP by Industry

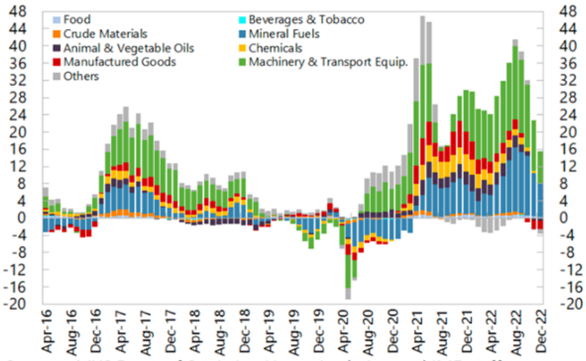
(In y-o-y percent change)



Sources: MYS Dept. of Statistics, Haver Analytics, and IMF staff calculations.

...driven by machinery and fuel exports...

Contribution to Merchandise Export Growth

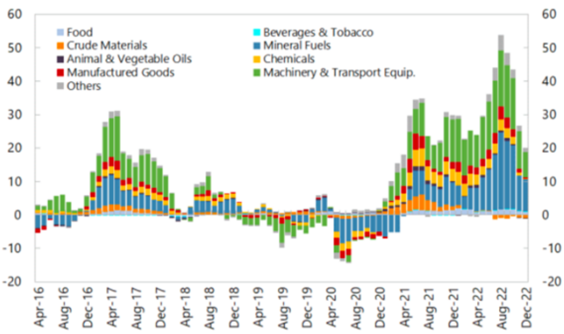


Sources: MYS Dept. of Statistics, Haver Analytics, and IMF staff

...which also boosted imports of intermediate inputs.

Contribution to Merchandise Import Growth

(In percentage points, y-o-y, 3-month MA)

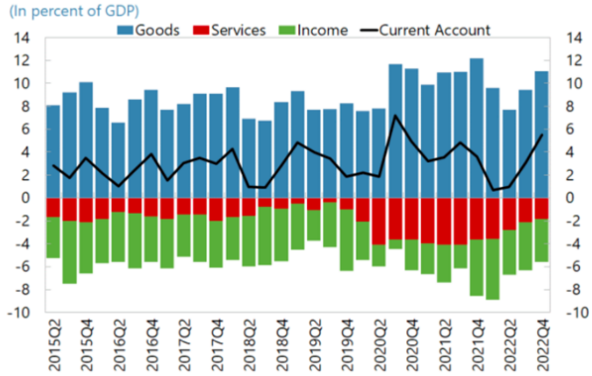


Sources: MYS Dept. of Statistics, Haver Analytics, and IMF staff calculations.

Malaysia retains a current account surplus, reflecting the strength of goods exports.

Current Account Balance

(In percent of GDP)



Sources: MYS Dept. of Statistics, CEIC Data, and IMF staff calculations.

One of the main commodities that Malaysia exports is palm oil, which accounted for 6.4% of the total exports in 2020. Palm oil is a versatile vegetable oil that can be used for cooking, cosmetics, biodiesel, and other industrial purposes. Malaysia is the world's second-largest producer and exporter of palm oil, after Indonesia. The main markets for Malaysian palm oil are China, India, Pakistan, the European Union, and the United States.

Another important commodity that Malaysia exports is rubber, which accounted for 5.7% of the total exports in 2020. Rubber is a natural polymer that can be processed into various products, such as tires, gloves, condoms, hoses, and medical devices. Malaysia is the world's largest producer and exporter of rubber gloves, which have been in high demand due to the COVID-19 pandemic. The main markets for Malaysian rubber products are the United States, China, Germany, Japan, and Brazil.
On the other hand, one of the main commodities that Malaysia imports is integrated circuits, which accounted for 18% of the total imports in 2020. Integrated circuits are electronic components that contain thousands or millions of transistors on a single chip. They are used for various applications, such as computers, smartphones, televisions, cameras, and cars. Malaysia imports integrated circuits mainly from China, Singapore, Chinese Taipei, Japan, and South Korea.

Another important commodity that Malaysia imports is refined petroleum, which accounted for 9.8% of the total imports in 2020. Refined petroleum is a liquid fuel that is derived from crude oil through a process of distillation and cracking. It includes products such as gasoline, diesel, jet fuel, kerosene, and liquefied petroleum gas. Malaysia imports refined petroleum mainly from Singapore, China, Indonesia, Thailand, and Saudi Arabia.

Malaysia's trade policy is generally liberal and open to foreign competition. The country is a member of the World Trade Organization (WTO) and several regional and bilateral trade agreements, such as the Association of Southeast Asian Nations (ASEAN), the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), and the Regional Comprehensive Economic Partnership (RCEP). The country also has free trade agreements with countries such as China, Japan, India, Australia, New Zealand, and Turkey.

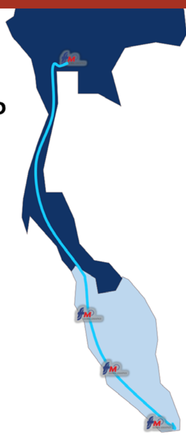
Malaysia's trade performance has been affected by the global economic slowdown and the COVID-19 pandemic in recent years. The country's exports declined by 1.4% in 2019 and by 1.6% in 2020, while its imports declined by 3.5% in 2019 and by 6% in 2020. However, the country's trade balance remained positive throughout these years, indicating that its exports still exceeded its imports.

Malaysia's trade outlook for 2021 and beyond depends on several factors, such as the recovery of global demand and supply chains, the progress of vaccination programs, the resolution of trade disputes, and the implementation of trade reforms. The country aims to diversify its export markets and products, enhance its competitiveness and innovation, and promote sustainable and inclusive trade development.

The International Monetary Fund also has just concluded its consultations with Malaysia in June 2023 and stipulates:

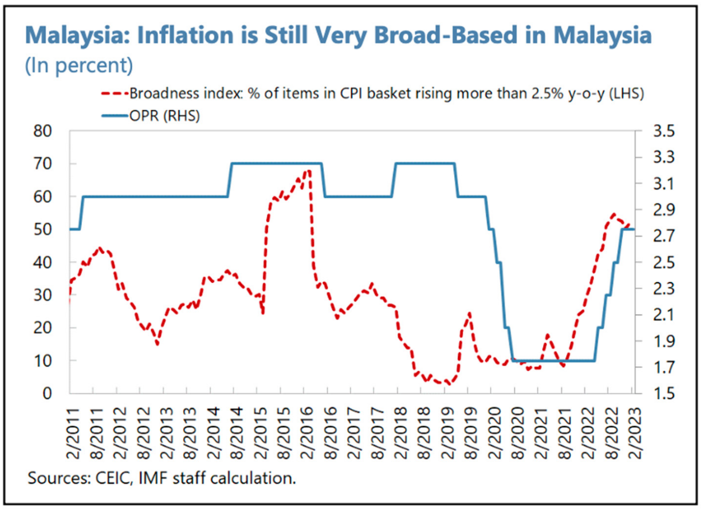
“Malaysia registered a strong post-pandemic recovery in 2022. Its strong macroeconomic policy frameworks, including a track record of fiscal prudence and a credible monetary policy framework, have served the country well. Growth reached 8.7 percent in 2022 driven by pent-up domestic demand following the reopening of the economy in April 2022 and strong export performance. However, the recovery remains uneven, with agriculture, mining, and particularly construction sectors remaining below pre-pandemic levels, and inequality has risen during COVID-19. While costly and untargeted spending on subsidies, the highest in Malaysia’s history, helped suppress inflationary pressures, inflation remained broad-based and elevated at 3.4 percent for the year, despite recent signs of moderation. Inflation expectations, however, remained well anchored.”

“Lower growth and elevated inflation define the near-term outlook. Growth is projected to moderate to 4.5 percent in 2023 reflecting largely the global external headwinds. Inflation is projected to remain elevated at 3.3 percent in 2023, with likely persistence in core inflation, amid a positive output gap, and evidence of a build-up of demand-side pressures. Over the medium term, the current account surplus is projected to widen as the pandemic-related travel restrictions are lifted, leading to an improvement of the services balance, and as imports moderate.”



Currency & Inflation

The Malaysian Ringit had a depreciation ride vs the USD and major currencies over recent years:



Export & Import Trade of Goods

EXPORT TRADE

The top exports of Malaysia are Integrated Circuits ($65B), Refined Petroleum ($15.9B), Palm Oil ($10.6B), Semiconductor Devices ($8.67B), and Rubber Apparel ($8.25B), exporting mostly to China ($38.7B), Singapore ($36.5B), United States ($33.8B), Hong Kong ($18.2B), and Japan ($15.6B).

In 2020, Malaysia was the world's biggest exporter of Rubber Apparel ($8.25B), Hot-Rolled Iron Bars ($1.33B), Other Vegetable Oils ($1.09B), Copper Powder ($400M), and Platinum Clad Metals ($102M)

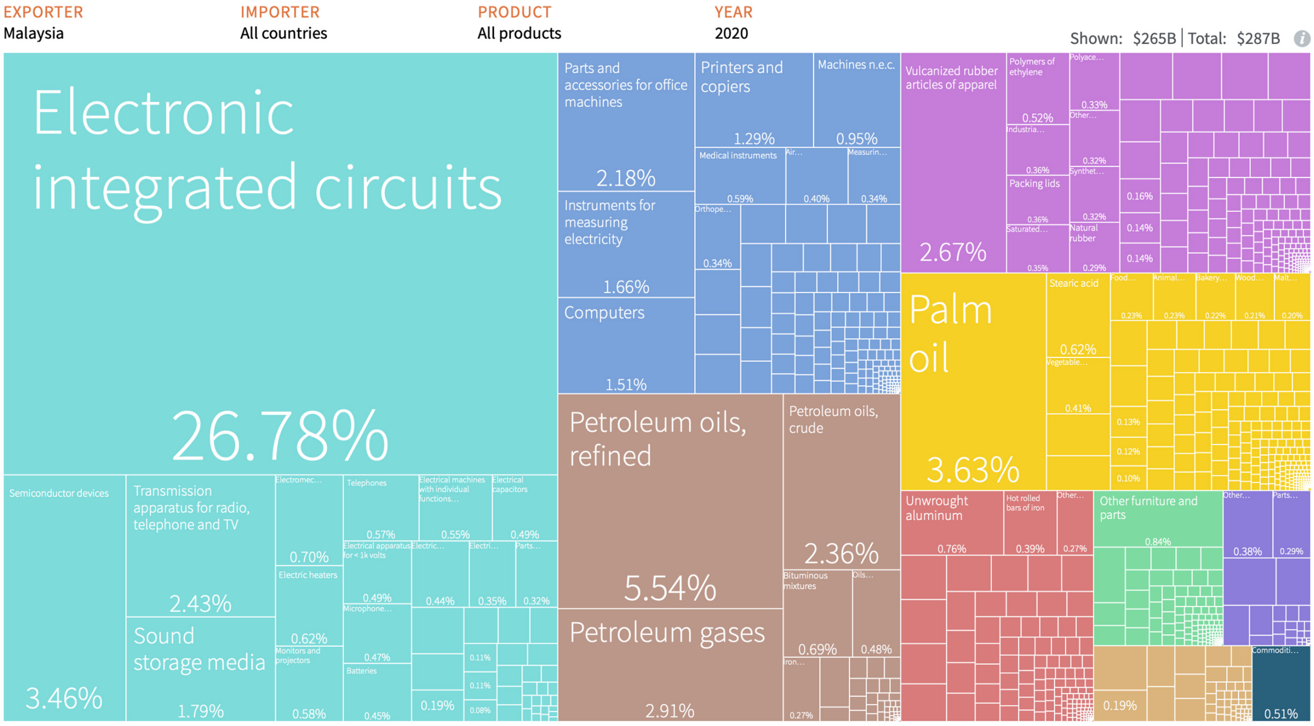
IMPORT TRADE

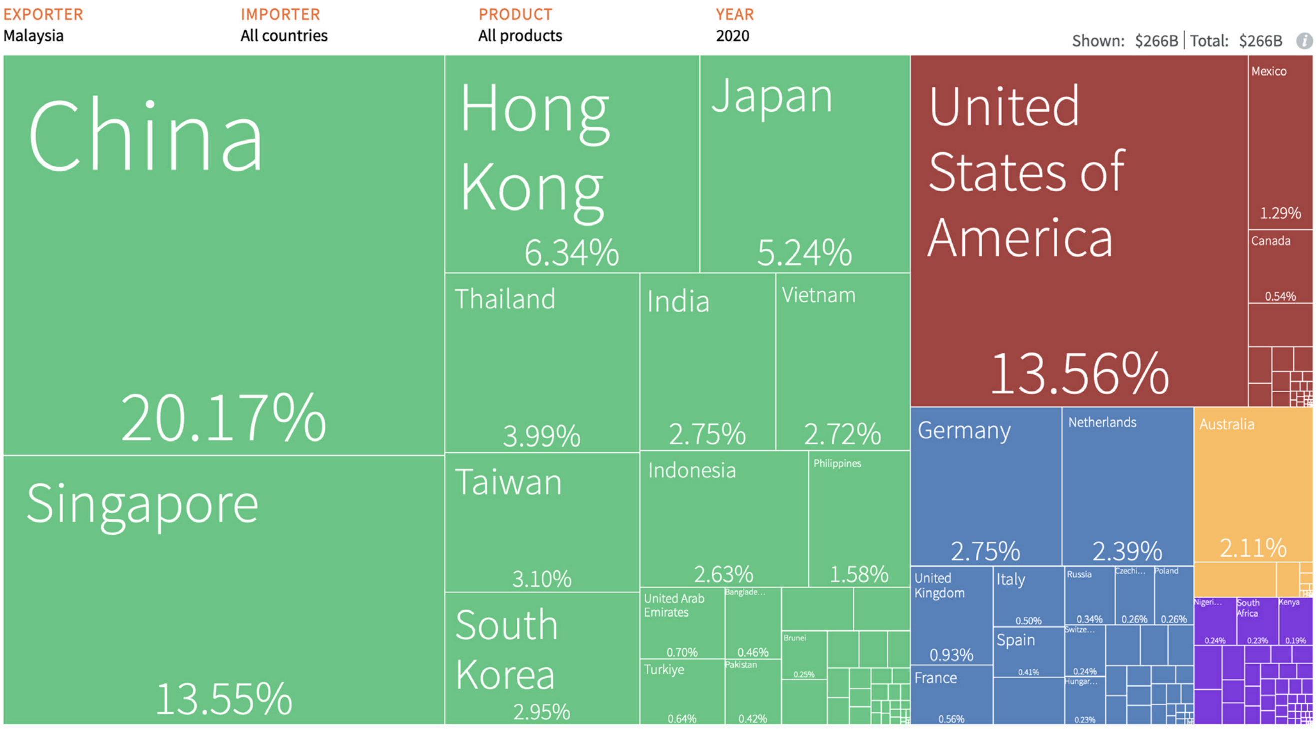
The top imports of Malaysia are Integrated Circuits ($27.8B), Refined Petroleum ($13.4B), Crude Petroleum ($4.75B), Special Purpose Ships ($4.39B), and Broadcasting Equipment ($3.43B), importing mostly from China ($51.5B), Singapore ($22.9B), United States ($12.4B), Japan ($12.1B), and South Korea ($11.6B).

In 2020, Malaysia was the world's biggest importer of Special Purpose Ships ($4.39B), Tin Ores ($321M), Scrap Plastic ($261M), and Processed Mushrooms ($171M)

Trade Pattern 2020 – Exports by commodity & country

(Source: https://atlas.cid.harvard.edu)





Trade Pattern 2020 – Imports by commodity & country

(Source: https://atlas.cid.harvard.edu)

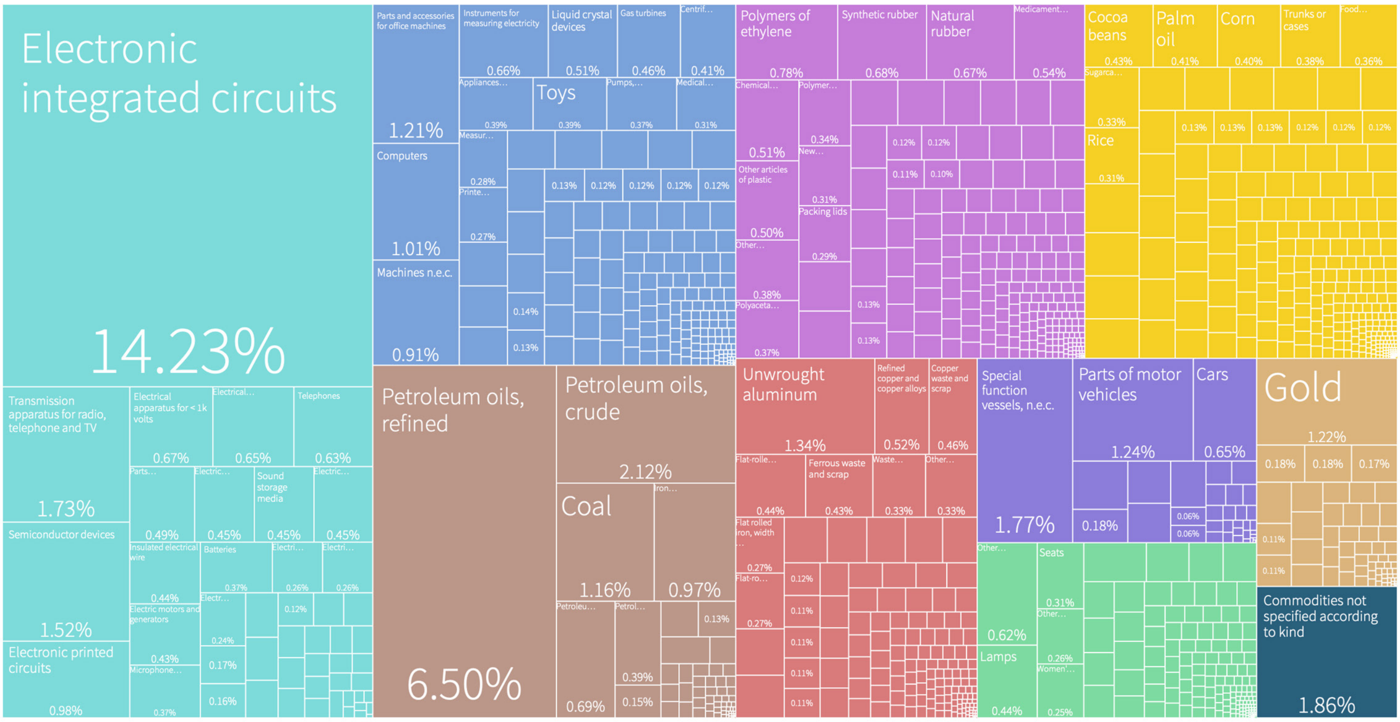
EXPORTER
All countries

IMPORTER
Malaysia

PRODUCT
All products

YEAR
2020

Shown: $190B | Total: $223B



EXPORTER
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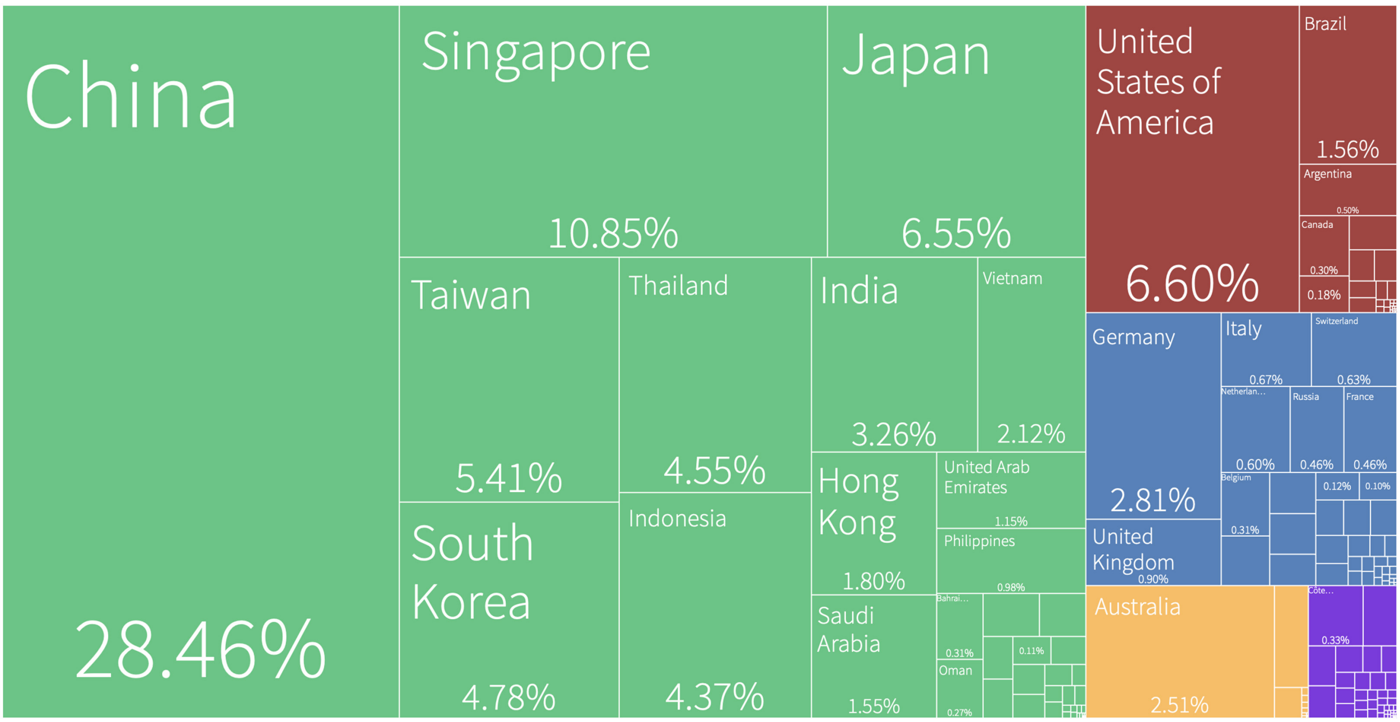
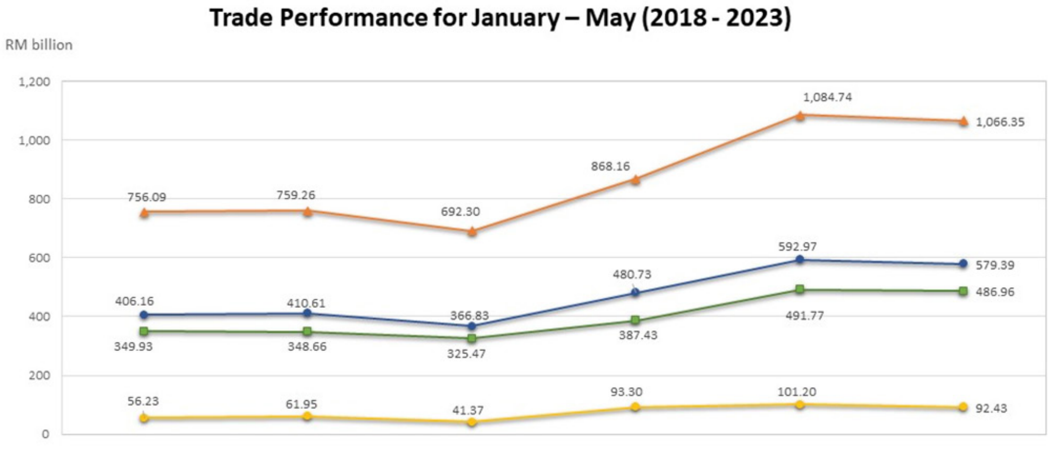


Latest Trade Development as per MATRADE

Trade Performance for January-May (2018 - 2023)

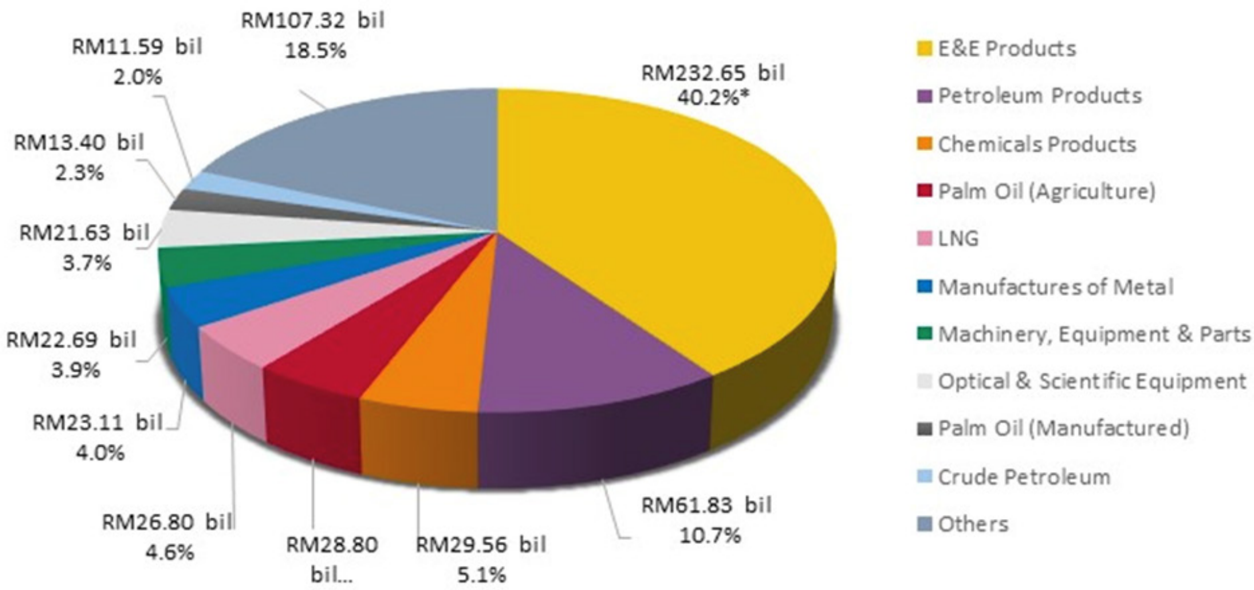


Growth %

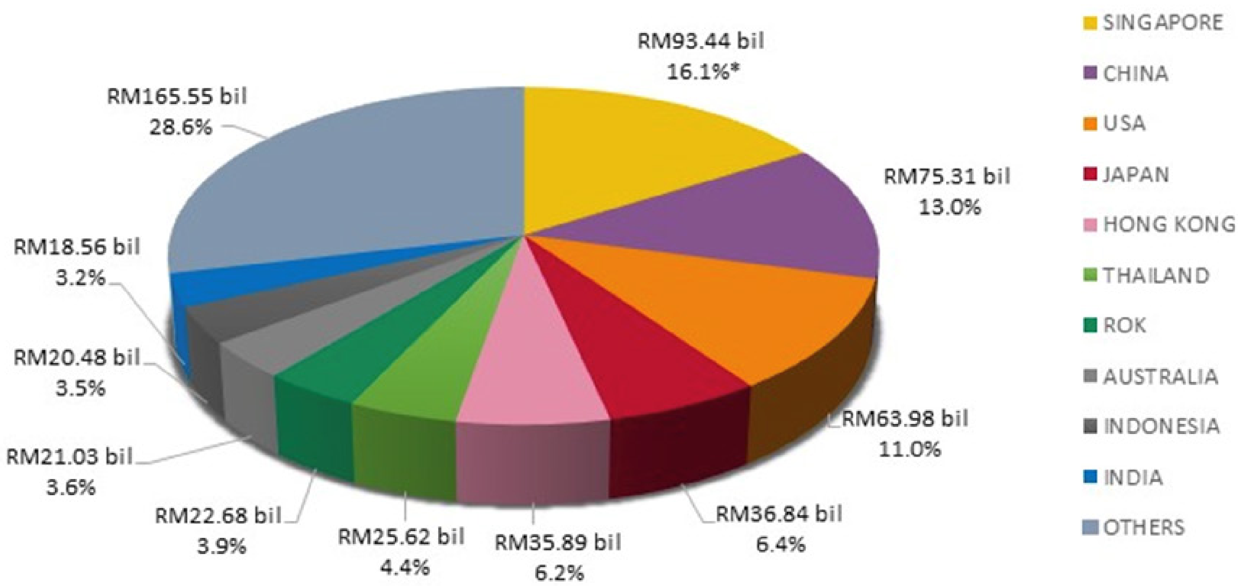
	Jan-May 2018	Jan-May 2019	Jan-May 2020	Jan-May 2021	Jan-May 2022	Jan-May 2023
Total Trade	4.6	0.4	-8.8	25.4	24.9	-1.7
Exports	7.3	1.1	-10.7	31.0	23.3	-2.3
Imports	1.7	-0.4	-6.7	19.0	26.9	-1.0
Trade Balance	62.0	10.2	-33.2	125.5	8.5	-8.7

Source: Department of Statistics, Malaysia
Tabulated by: MATRADE

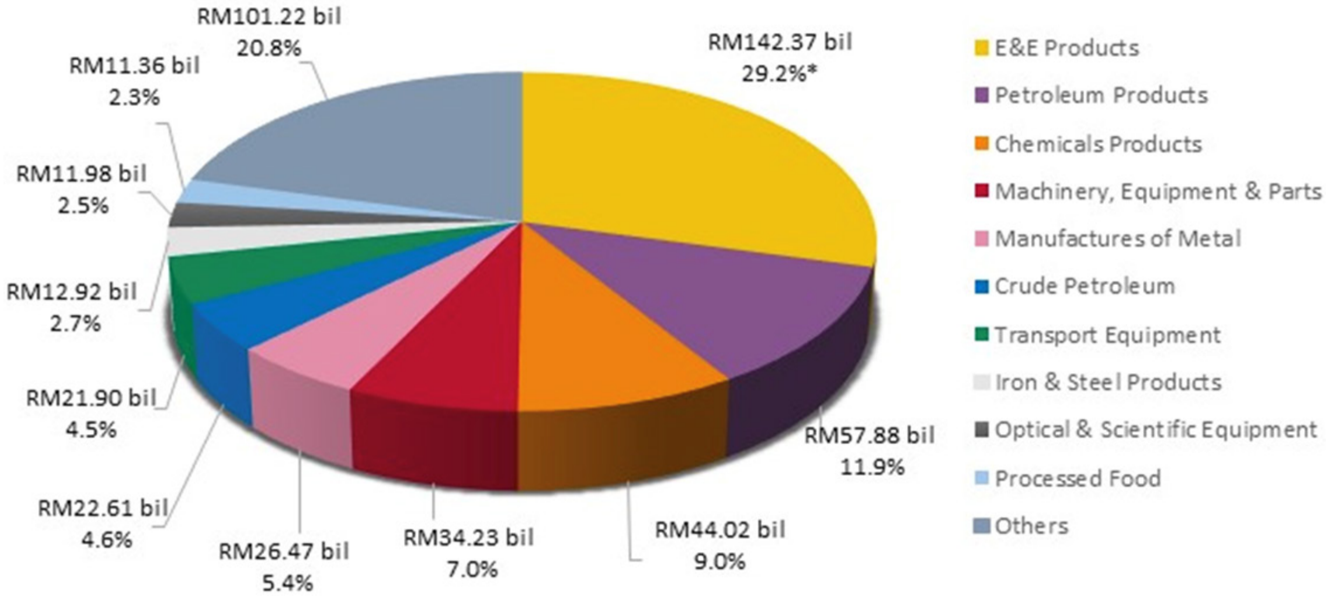
Top 10 Major Export Products, Jan-May 2023
Total Exports: RM579.39 billion



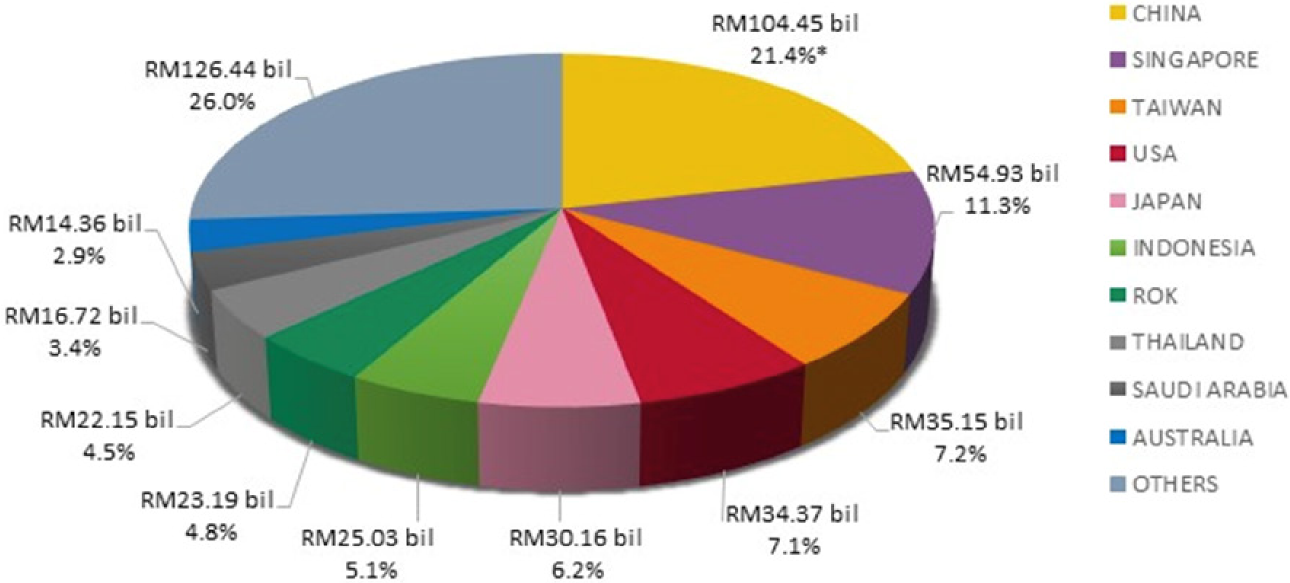
Top 10 Major Export Countries, Jan-May 2023
Total Exports: RM579.39 billion



Top 10 Major Import Products, Jan-May 2023
Total Imports: RM486.96 billion



Top 10 Major Import Countries, Jan-May 2023
Total Imports: RM486.96 billion



Forwarding & Logistics Market

The Malaysian Forwarders Association lists a total of 1,500 members, of course including a lot of branches of companies, as the larger ones have a presence in different parts of the country.

Ports & Infrastructure

Malaysia Ports in 2022

Malaysia's top 10 container ports and their volumes in 2022 are:

Port Klang: 13.2 million TEU
Tanjung Pelepas: 9.5 million TEU
Penang: 1.8 million TEU
Kuantan: 0.6 million TEU
Bintulu: 0.5 million TEU
Pasir Gudang: 0.4 million TEU
Kota Kinabalu: 0.3 million TEU
Kemaman: 0.2 million TEU
Sandakan: 0.2 million TEU
Labuan: 0.1 million TEU

7 Major Ports in Malaysia as per Marine Insight

https://www.marineinsight.com/know-more/7-major-ports-in-malaysia
ByRishab Joshi March 26, 2022

Malaysia is one of the world's fastest-growing, competitive economies with a significant position in the South East Asian region attributed to its location at the confluence of the intercontinental and intra-Asian maritime trade routes going through the Strait of Malacca. Hence, it is no surprise that Malaysia houses one of the biggest port facilities in the world. It is also a transhipment hub of the Asian region and a preferred point of entry into the South East Asian Market.

Boasting a highly developed maritime shipping sector, Malaysia has been ranked by UNCTAD as the fifth-best linked country in the world, in terms of shipping trade route connectivity, better than the developed economies of Germany and the Netherlands. Malaysia is the biggest exporter of LNG in the world and possesses the world's first floating LNG facility. It is also the largest palm oil producer, and subsequently the owner of the world's biggest palm oil terminal. Due to the advantages of availability of land at affordable rates, infrastructural and technological developments prompted by a steadily growing economy, Malaysia might overtake the dominant port of Singapore in the future and handle the majority of Asia's maritime cargo traffic. In this article, let us have a look at the 7 major ports in Malaysia.

Port Klang

Klang port lies on the western shores of the Malaysian Peninsula, at the northern tip of Malacca Strait, linking the capital Kuala Lumpur with the South China sea. Known as the premier port of Malaysia, around 38% of the nation's international maritime trade passes through this facility. More than 220 million tonnes of cargo was handled at this port in 2018. Its location amidst the industrial region of Klang makes it pivotal for the national economy. In 2018, it handled around 12 million TEU and was ranked as the world's 13th busiest container facility. Klang port deals with exports of commodities such as timber, automobiles, rubber, liquid bulk such as latex, palm and coconut oil, petroleum goods, fuel and containerised goods. It handles imports of steel coils, rods, wires, billets, fruits, grains, machine equipment etc. The port comprises 53 berths covering approximately 11.3 thousand m. Out of these, 24 berths are dedicated to container shipments, 11 berths handle breakbulk, 9 docks handle only liquid cargo and 7 are reserved for dry bulk goods. The port also has a facility for bunkering near the passenger berth, handling cruises and small boats. The port boasts an expansive storage area spanning more than 220 thousand sq m comprising transit sheds, warehouses and paved yards. The Port's container handling facilities are divided between Westport and Northport. The former comprises 9 container handling facilities capable of handling the world's biggest container ships and handles around 75% of containers arriving at Port Klang. The latter has 4 container terminals spanning 2.5 km and can accommodate ships weighing not more than 200,000 DWT. Ro-Ro cargo witnessed a rise at the Northport leading the facility to become a crucial redistribution centre of automobiles in the region.

Port of Tanjung Pelepas

This port facility lies in the delta of the Pulai River in the state of Johor in the southern part of Malaysia. It is an important transhipment container facility that is linked with Singapore and Indonesia and is in close proximity to the international shipping routes of the Malacca Strait. Its favourable geographical location made it the 18th busiest container facility in the world, as it handled around 9 million TEU in 2018. A naturally protected harbour operated by the Johor Port Authority, it witnessed significant growth since its opening in 1999. It is not a multipurpose port as it deals only with containerised goods. The port spans 1930 acres and comprises 14 container berths that can accommodate the biggest container ships. Interestingly, it was the world's first facility where a cargo ship was loaded with more than 20,000 TEU. The container storage facilities span 290 acres capable of storing 6 million TEUs. It also has more than 4000 reefer connections. The port berths' are served by 140 gantry cranes, 350 trailers, 45 post-Panamax cranes etc. The port is being expanded to increase its container handling capacity to 145 million TEUs. A specially designed information technology system offering real-time container tracking and automated scanning has increased the port's productivity manifold.

Port of Johor

Johor port is situated at the southern tip of the Malaysian Peninsula, near Johor strait. It is an important maritime gateway for the country as it lies in the industrial region of Pasir Gudang which houses major industries like engineering, petrochemicals, electrical goods, furniture and packaged food.

Covering more than 1000 acres and comprising its 24 berths, this multipurpose port deals with all kinds of cargoes through its numerous dry bulk, liquid bulk and container handling facilities. The port is famous for its expansive storage space for keeping palm oil and is a major exporter of petrochemical goods. It had received accreditation from the London Metal Exchange for handling and storing all the non-ferrous metals. Imports of Rice and cocoa are handled only at this facility.

The port has recorded an annual cargo throughput of 29 million tonnes and has grown extensively since it became operational in 1977. The Container Terminal has achieved commendable growth with a current container handling capacity of more than 2 million TEUs. The terminal has 3 berths capable of accommodating ships weighing more than 100,000 DWT and a storage space spanning 70,000 sq m for keeping containers. The port also has one of the world's most beautiful and technologically advanced ferry terminals.

Port of Penang

The Penang port is situated on the northeast coastline of Pulao Pinang, between the Penang island and the western shores of the Malaysian Peninsula. It is the country's third-busiest container handling facility linked with the northern region of the nation and the southern states of Thailand. The oldest port of Malaysia dealt with 33.9 million tonnes of cargoes and more than 1 million TEU in 2018. Additionally, it has also grown as a popular cruise destination. The major export commodities include electrical goods, rubber, and packaged manufactured products. It handles imports of mainly petroleum goods, iron, steel and sugar and rice. A multifunctional port, it deals with all kinds of conventional cargo, dry and liquid bulk, apart from containers. The port has 5 container terminals and 10 container berths spanning more than 1600 m. It has ample storage space covering more than 200,000 sq m. The breakbulk terminal comprises 4 dedicated berths while its 4 oil terminals handle refined oil, fuel and petroleum.

The port also has a cruise terminal with 4 wharves catering to the world's largest cruise ships carrying more than 3000 tourists. The Penang Port Commission, responsible for port operations and management also operates a ferry terminal that connects the Penang island to mainland Malaysia.

Port of Bintulu

Lying on the western coastline of Sarawak, near the city of Bintulu, this port is the major maritime gateway to Eastern Malaysia, comprising the regions of Sabah, Sarawak and Labuan. Since it is located near the LNG manufacturing plants, about 76% of the cargo handled at this port comprises liquid bulk. It has also witnessed appreciable growth in container traffic in recent years and handled around 348,000 TEUs in 2018. It is a multipurpose facility comprising 3 berths for handling conventional cargo, 2 berths for handling bulk and breakbulk, 7 jetties for accommodating LNG tankers and an expansive container terminal. The port's cargo handling capacity is more than 69 million tonnes and it can handle more than 390 TEU annually. It is a deepwater seaport that handles LNG, crude oil, LPG, urea, fertilisers, timber, palm oil, petroleum and its derivatives. The port is visited by more than 7000 ships every year. Due to its strategic position offering maritime connections to the nearby Borneo island as well neighbours like Indonesia and the Philippines, it is expected to emerge as the region's significant LNG trade centre. Work is underway for the expansion of its oil wharf and the container handling facility.

Port of Kuantan

This port is located at Tanjong Gelang and is locally known by this name. Functioning as the major facility on the eastern shoreline of the Malaysian Peninsula opening to the South China Sea, it is operated by Kuantan Port Consortium. Kuantan's annual handling capacity is around 600,000 TEU and in 2018 its total annual cargo throughput stood at 26 million tonnes. More than 5000 vessels frequent this port every year.

More than 60% of cargo that passes through this port is dry bulk including ores and minerals such as Bauxite. Other goods such as chemicals, palm oil products, industrial goods, feedstock, fertilisers, steel coils, grains, biodiesel and containers are also handled at this port.

Kuantan port comprises 3 container berths, 3 liquid chemical handling facilities, 4 multipurpose berths, 3 specialised berths for handling palm oil, 1 mineral oil berth, and a service jetty. These berthing facilities span more than 3500 m.

Due to the increased cargo and container traffic witnessed at the port, it is undergoing expansion to accommodate the biggest carriers at some of its berths. Another container handling facility spanning 40 hectares is being constructed along with a 25-hectare container storage yard.

Port of Labuan

The Port of Labuan lies on the Eastern Malaysian island of Labuan near the South China Sea. It is an important regional port serving mainly the oil and gas industries. A naturally well-sheltered port, it is also a transhipment hub for Brunei, Sarawak and Sabah regions. The port dates back to the 18th century and was crucial for the British Empire.

Operated by the Labuan Liberty Port Management, it handles cargoes of container goods, oil, rattan, wood, textiles, decorative items, fruits, maize, hardware goods, canned food, electrical appliances etc. The port's dock has 4 berths handling general cargo, 15,000 sq m of open storage space, three warehouses and a container terminal with an annual handling capacity of 100,000 TEU. Labuan has 5 privately owned wharves handling specific cargoes. The Shell jetty for instance handles only petroleum while another wharf deals with iron ore shipments, capable of accommodating carriers weighing around 200,000 DWT. Another dock is dedicated to methanol while there are two berths for handling wheat and cereals. These berths cover more than 500m with a depth ranging between 5 to 10m.

Given the tremendous growth of this port, the government has planned an expansion project and a new wharf has already been constructed that can handle the biggest cargo ships.

Sources & Links for further information

- Malaysia Freight Forwarders Association: https://fmff.net
- Latest IMF Report: https://www.imf.org/en/Publications/CR/Issues/2023/05/31 Malaysia-2023-Article-IV-Consultation-Press-Release-and-Staff-Report-533968
- Aljazeera summarizing 2023 Q1 and 2022 economic data: https://www.aljazeera.com/economy/2023/5/12/malaysias-economy-beats-forecasts-with-5-6-percent-growth
- S&P Study: https://www.spglobal.com/marketintelligence/en/mi/research-analysis/malaysian-economy-shows-sustained-expansion-in-early-2023-may23.html
- Trade Atlas: https://atlas.cid.harvard.edu
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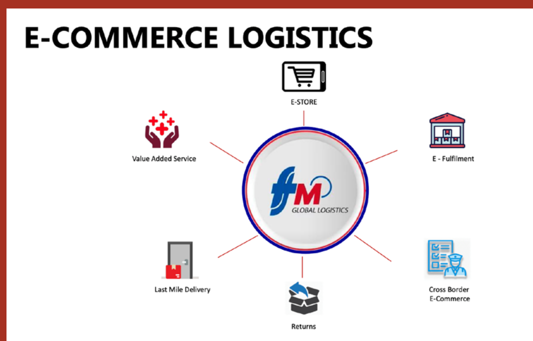
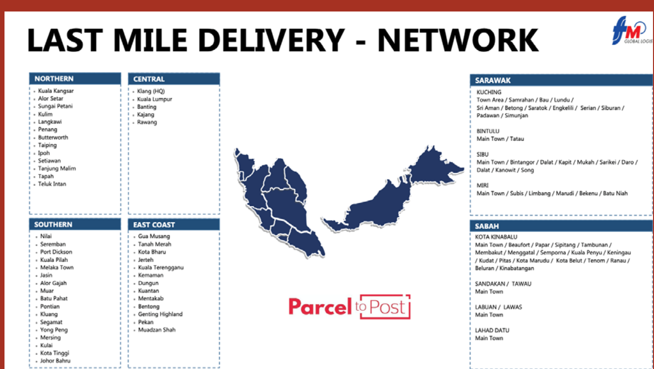
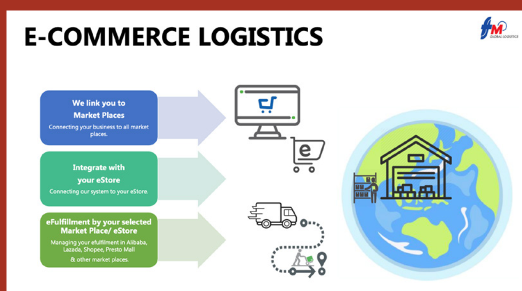
- Malaysia Fact Sheet: https://www.uobgroup.com/asean-insights/malaysia-fact-sheet.page
- Malaysia Trade: https://www.matrade.gov.my/en/
- Malaysia on Wikipedia: https://en.wikipedia.org/wiki/Malaysia
- Latest Worldbank Reports on Malaysia: https://www.worldbank.org/en/country/malaysia

Meet our local member







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November 15-18

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