

# Bad news and good news in November trade data

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KUALA LUMPUR: Malaysia's trade surplus shrank to a four-month low in November, but it was not all bad news as signs imports could be bottoming showed the economy was on track to improve, economists said.

The country's trade surplus narrowed to RM3.9 billion from RM6.0 billion in November 2000, the Department of Statistics said in a statement yesterday.

"The economy is in the process of bottoming out with the level of trade steadying after a steep downturn in the middle of the year," David Cohen at Standard & Poor's MMS research house in Singapore said.

November's exports dropped to RM28.4 billion, down 13.4% year-on-year and 1.4% month-on-month, reflecting the still tough conditions in the global technology industry.

For the first 11 months of the year exports of electrical and electronic goods, which accounted for nearly 57% of the total, were down 13.4% at RM174.7 billion.

November's imports crept up to RM24.5 billion from RM24.4 billion in October, but year-on-year they were down 8.6%.

The improvement over October indicated a rebuilding of inventories as producers prepare for a pick-up in output.

"That's the good sign," said Lee Heng Guie, chief economist at HLG Capital.

"Intermediate goods used in the electronics sector make up the bulk of our imports and though it is still early days, it signals that production may stop sliding."

For the 11-month period imports were down 9.7% on year ago levels, while exports were down 10.1%.

White Malaysia is characterised as an export economy, imported intermediate goods used in production of goods for export make up the bulk of the country's import bill and provide a leading indicator for how the economy is doing.

Imports of intermediate and capital goods accounted for nearly 87% of the total, and were down 10.1% in November from a year ago.

Monthly data can be volatile, but Cohen saw enough good things to be optimistic that Malaysia's economic slowdown is coming to an end.

"The data is in line with a general perception that the economy is ready to improve as we move into 2002," Cohen said.

Earlier this week, Prime Minister Datuk Seri Dr Mahathir Mohamad dropped the official growth forecast to just 0.5-1.0% for 2001. Mahathir, who is also acting Finance Minister, said he expected growth in 2002 to be around 3%.

A Reuters survey last month forecast growth of 3.5% for 2002.

The economy contracted 1.3% year-on-year in the third quarter of 2001, but grew 0.8% from the second quarter, and unlike some other export-oriented economies Malaysia has avoided slipping into recession.

Most economists agree the upturn is at hand. "...We are increasingly confident that the worst is close to over for Malaysia, with a relatively strong medium term economic recovery now forecast," Salomon Smith Barney said in a research paper released this week.

Certainly, no-one is talking about pressure on the ringgit currency peg, despite the shadow of a weak Japanese yen. - Reuters